COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2007

Issued by the City of San Marcos Finance Department THIS PAGE LEFT BLANK INTENTIONALLY

#### COMPREHENSIVE ANNUAL FINANCIAL REPORT

#### YEAR ENDED SEPTEMBER 30, 2007

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## **INTRODUCTORY SECTION**

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#### COMPREHENSIVE ANNUAL FINANCIAL REPORT

#### YEAR ENDED SEPTEMBER 30, 2007

#### **CITY COUNCIL**

#### Susan Narvaiz - Mayor

Betsy Robertson – Place 1 Gaylord Bose – Place 2,

Deputy Mayor ProTem

Daniel Guerrero – Place 3 Chris Jones – Place 4

Mayor ProTem

Pam Couch – Place 5 John Thomaides – Place 6

#### **ADMINISTRATION**

Daniel J. O'Leary – City Manager Collette Jamison – Assistant City Manager Laurie Anderson – Assistant City Manager

Rosie G. Vela – Director of Finance

Steve Parker – Assistant Director of Finance

Presented by The Finance Department

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of San Marcos Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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President

**Executive Director** 



Transmittal Letter

For the Fiscal Year Ended September 30, 2007

City of San Marcos San Marcos, Texas March 7, 2008

To the Honorable Mayor, Members of the City Council, And Citizens of the City of San Marcos, Texas:

The Comprehensive Annual Financial Report (the CAFR) of the City of San Marcos, Texas (the City) for the fiscal year ended September 30, 2007, is submitted in accordance with Section 3.16 of the City Charter. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. The disclosures included in this report are intended to provide the reader a good understanding of the City's financial activities.

Pattillo, Brown and Hill, L.L.P., have issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2007. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

The CAFR includes all funds of the City and is presented in three sections: introductory, financial and statistical. The introductory section includes a table of contents, this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the MD&A, basic financial statements and other required supplementary information, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The single audit is a separate report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and U. S. Office of Management and Budget (OMB) Circular A-133. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report.

#### City of San Marcos Profile

San Marcos operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected "at large" on a non-partisan ballot. All members of the City Council, except the Mayor, are elected to staggered three-year terms. The Mayor is elected for a two-year term. The City Council appoints the City Manager, City Clerk, City Attorney, and Municipal Court Judge. The City Council also appoints members to certain boards, committees and commissions, as it deems necessary for the operation of the City.

The City Manager is the chief administrator and executive officer for the City and has full responsibility for carrying out Council policies and administering City operations, including hiring department Directors and all other City employees. City service departments provide a full range of services including police and fire protection, health and social services, sanitation services, construction and maintenance of highways, streets and infrastructure, planning and zoning, recreational activities and cultural events, and general administrative services.

The City also provides electric, water, wastewater, airport, drainage and waste collection services; therefore, these activities are included in the reporting entity.

#### Local Economy

The City of San Marcos has benefited from the recent national and state economic resurgences, especially pertaining to growth in retail sales, tourism, and construction activities. The City also continues to benefit from other favorable conditions associated with San Marcos, including a stable, diversified economic base and a desirable location for work, destination, and living. Current low mortgage interest rates and the attractive developments within San Marcos continue to bring in residential growth and commercial development. Commercial successes can be expected to continue because of the City's commitment to targeted economic development efforts that focus on industry segments that complement the existing business mix.

The following categories represent key factors affecting San Marcos' economic and financial success:

#### Retail Sales

The City's largest General Fund revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. The City has seen a significant growth in sales tax revenues over the last three fiscal years. Fiscal year 2006/07 ended with a .23 percent increase over the prior year's revenue, following a 5.6 percent increase last year – positive indication that economic recovery is sustained. The City is perhaps best known for its Outlet Malls – Prime and Tanger – which have made San Marcos the 3<sup>rd</sup> most popular tourist destination in Texas. Factors contributing to a brighter economic outlook for retailers included rising consumer confidence, continued low interest rates, a booming housing market, increased factory orders and productivity, and the return of worker pay raises and bonuses.

#### **Employment**

San Marcos enjoys a relatively low unemployment rate as compared to the state and national economy. This means that San Marcos residents have greater job opportunities locally. The Hays County unemployment rate was approximately 3.7 percent in September 2007, as compared to the state unemployment rate of 4.3 percent and the national unemployment rate of 4.6 percent.

#### Tourism

Tourism is one of San Marcos' largest industries and is a significant contributor to the City's economy. Numerous tourist attractions, along with many hotels and motels, provide over 1,250 guest rooms, along with many nearby public and private golf courses. The number of rooms will increase in 2008 with the addition of San Marcos' first full-service hotel opening October 2008. In addition, San Marcos

Conference Center opens at the same time, further adding to San Marcos tourist potential. More than 1,200 retail shops and boutiques are located throughout the City and a selection of over 125 restaurants is available. These services and facilities, complemented by the mild winter, have made San Marcos a popular vacation spot for tourists and winter visitors.

Hotel/motel occupancy tax receipts increased 8.07 percent in FY 2006/07 over the previous year – the fourth straight year of solid revenue growth after anemic post 9/11 levels. The current assessment for FY 2007/08 is that tourism will continue to experience positive gains, reflected by continued increases in occupancy, available rooms and room rates.

#### Major Initiatives

The City of San Marcos' FY 2007/08 budget reflects continuing strength in the City's economy, reinforced by positive trends at the state and national levels. Significant improvements projected for the City's key revenue sources, combined with savings achieved in FY 2006/07, provide a balanced budget to meet pressing needs and fund the City's highest priorities for FY 2007/08. These needs include cost-of-living increases for personnel, additional police officers and emergency dispatchers, a Fire Trainer, additional capital outlay funding, infrastructure funding, and staffing for the new Permit Center. Many accomplishments have been achieved with the FY 2007/08 budget. The tax rate was increased by six cents to fund capital projects approved by voters in November 2005.

#### Long-Term Strategic Financial Planning

Financial policies approved by the City Council guide the City's financial management in planning for the future. Sufficient resources and adequate reserve levels will protect the City in the event of revenue shortfalls or increased expenditure needs. Fiscal integrity is the cornerstone upon which the City plans, monitors, and reports its financial activities. Particular emphasis is placed on maintaining the financial stability of the City. Each fiscal year, the budget is developed with this objective. Goals for financial stability enable the City to manage revenue shortfalls and cash flows to ensure continued operations, and to provide for unforeseen contingencies without impairing the level of quality service needed to respond to the community.

#### Internal Controls

The Finance Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by GASB and the American Institute of Certified Public Accountants (AICPA). The internal controls structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

#### Financial Rating

The City's bond rating for Moody's Investor Service and Standard & Poor's is as follows:

*	Moody's Investor Service	Standard & Poor's
General Obligation	A1	A+
Bonds and Certificates of		
Obligation		
Revenue Bonds	A2	Α

#### Financial Reporting

The City utilizes a computerized financial accounting system to capture all financial transactions and provide data for the preparation of this CAFR, including the audited financial statements. These statements present information on the financial position of the City and whether resources were adequate

to cover the costs of providing services during the reporting period. The City's award-winning CAFR is distributed to the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as others throughout the general public.

#### **Budgeting Process**

The annual budget serves as the foundation for the City's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following September 1st. The budget includes proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Expenditure appropriations may be amended during the year. Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; (2) transfers from fund balance accounts to departments or capital improvement program accounts; (3) transfers between departments; and (4) transfers from capital improvement program accounts to departments. Management control of budgets is further maintained through the use of an encumbrance accounting system. Encumbered amounts lapse at year-end. However, encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

#### Single Audit

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2007, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

#### Cash Management

Cash temporarily idle during the year was invested in U. S. Agency securities, Certificates of Deposit, Local Government Pools, Commercial Paper and Money Market Mutual Funds. At year-end, the carrying amount of the City's deposits was \$142 million, and the bank balance was \$2,898,546. The U. S. government agency securities had a market value of \$71,159,848 as of September 30, 2007, and a book value of \$72,681,806. These investments are carried at book value.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held by the City's agent in the City's name. All investments are in compliance with the Public Funds Investment Act.

#### Risk Management

The City of San Marcos maintains a safety and risk management program. Components of the program include the "Safety Coach" Safety Leadership Development Program, an aggressive incident and accident investigation program, awareness and recognition programs and an annual review of assets.

The City's Safety Programs have been recognized by awards from the Public Risk Management Association (PRIMA) and the Texas Safety Association (TSA). Activities include a sub-committee formed to assist departments with safety peer reviews. Because this is done with workers and communicated to all levels of management, corrective action occurs quickly and effectively to provide a safer work environment. Risk Management works with departments to address any recommended corrective action. Another project of the Safety Coach Program is conducting random seat belt surveys throughout the City in accordance with the "Buckle Up America" program. The City compliments the mandated Department of Transportation drug testing with a similar program for all positions which have been identified as safety sensitive.

The City participates in the National Safety Councils Awards Program which presents achievement awards by category for occupational safety and health, safe worker, safe drivers and a new program award. Twenty-five departments were recognized for maintaining a perfect record or a reduction in frequency of lost time injuries from the National Safety Council. The City's Loss Prevention Manager was the recipient of the 2007 Public Risk Management Associate of the Year Award for the Texas Chapter PRIMA which recognizes one outstanding public risk associate annually.

Individual employees who serve in positions that are exposed to hazardous conditions, have a long work history without an accident, and/or contribute substantially to the safety of themselves and/or coworkers are recognized at two levels: safe worker and safe driver. Three employees were recognized in each category for safe workers and safe driving.

Cardiac arrest is a major, preventable cause of death in the United States. To help prevent such tragedies in our facilities, the Safety program has placed nine Automatic External Defibrillators (AED's) in various City buildings in addition to training over 125 City employees in their use and CPR.

The City held the 13th Annual Safety Expo in October, which provides training and safety awareness to all employees. The event included over 27 Health and Safety vendors in the expo with various safety demonstrations. Over 220 employees participated in the Expo.

#### Other Information

#### Independent Audit

The City Charter requires an annual audit of the books, accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the independent auditors' report by Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, has been included in this report.

#### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2006. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. That report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### **Acknowledgements**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the City Council and the citizens of the City of San Marcos for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

In conclusion, we would like to thank the City's auditing firm, Pattillo, Brown & Hill, L.L.P., for their ongoing efforts, not only in the performance of the City's annual audit, but for their close working relationship in advising the City when questions arise throughout the year. They have been an excellent source of information for preparation of the report.

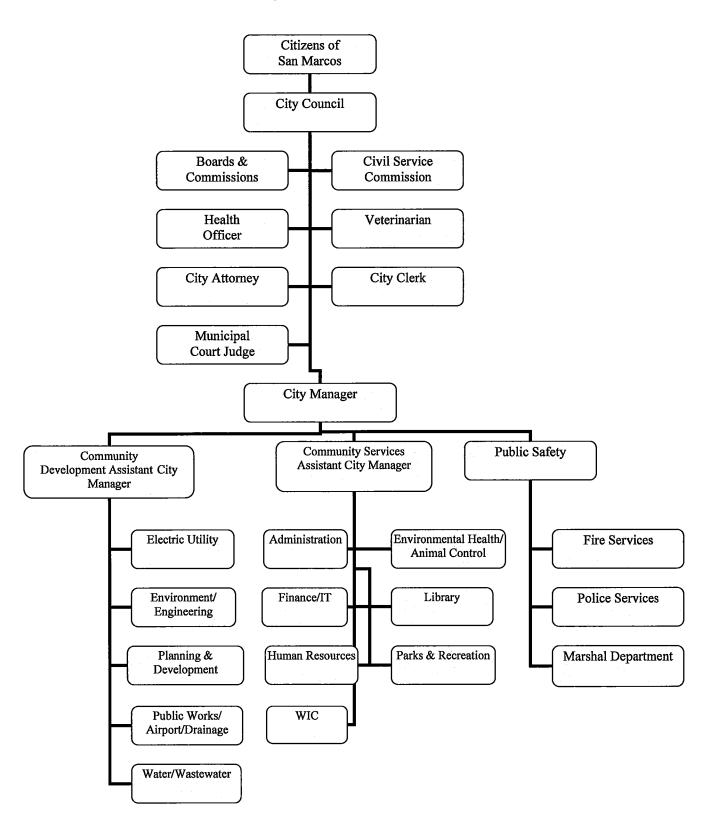
Respectfully submitted,

Collette Jamison () Interim City Manager Rosie G. Vela, CPA Director of Finance

### CITY OF SAN MARCOS

2006-07 ANNUAL REPORT

**ORGANIZATION CHART** 



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## FINANCIAL SECTION

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#### INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council City of San Marcos, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of San Marcos, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows of these activities and funds and the budgetary comparison for the General and major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2008, on our consideration of the City of San Marcos, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Marcos, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Patille, Brown : Hill, L.L.P.

March 7, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **SEPTEMBER 30, 2007**

As management of the City of San Marcos, we offer readers of the City of San Marcos' financial statements this narrative overview and analysis of the financial activities for the City of San Marcos for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii – viii of this report.

#### FINANCIAL HIGHLIGHTS

- The assets of the City of San Marcos exceeded its liabilities at the close of the fiscal year ending September 30, 2007, by \$189 million (net assets). Of this amount, \$110.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2007, the City of San Marcos' governmental funds reported combined ending fund balances of \$63.8 million, an increase of \$27.0 million in comparison with the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$14.5 million, or 46.5% of total General Fund expenditures.
- The City's total debt increased by \$39.98 million during the current fiscal year. The City issued \$34.19 million in Combination Tax and Revenue Certificates of Obligation and \$13.15 million in Water and Wastewater System revenue bonds.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the City of San Marcos' basic financial statements. The City of San Marcos' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The comprehensive annual financial report (CAFR) also contains other supplementary information in addition to the basic statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of San Marcos' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of San Marcos' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of San Marcos is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

The statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the statement of net assets and the statement of activities, the City's operations are divided into two kinds of activities:

- Governmental Activities Most of the City's basic services are reported here, including the police, fire, libraries, planning and development, transportation, parks and recreation, and general administration. Property tax, sales tax and franchise fee revenues finance most of these activities.
- Business-type Activities The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Electric, Water and Wastewater, Airport, Drainage and Waste Collection Funds are reported here.

The government-wide financial statements can be found on pages 13 - 15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of San Marcos, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the *statement of net assets* and the *statement of activities*) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of San Marcos maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Hotel Occupancy Fund, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

**Proprietary funds**. The City charges customers for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities.

The City of San Marcos maintains five individual enterprise funds: Electric, Water and Wastewater, Airport, Drainage, and Waste Collection. The fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric and Water and Wastewater, both of which are considered to be major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in the CAFR.

The basic proprietary funds financial statements can be found on pages 22 - 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents the combining statements referred to earlier in connection with nonmajor governmental and enterprise funds, comparative information for the General Fund and budgetary information to demonstrate the City's budgetary compliance. Combining and individual fund statements and schedules can be found on pages 51 - 69 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net assets were \$189.2 million as of September 30, 2007. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$109.1 million. This analysis focuses on the net assets (Table 1) and changes in net assets of the City's governmental and business-type activities (Table 2).

A portion of the City's net assets (37.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$110.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of San Marcos is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TABLE 1
CITY OF SAN MARCOS' NET ASSETS

	Governmental Activities					Business-ty	ctivities	Totals				
		2007	2006		_	2007		2006		2007		2006
Current and other assets Capital assets Total assets	<b>\$</b> _	73,966,873 89,044,350 163,011,223	<b>\$</b> 	45,969,157 72,936,051 118,905,208	\$ 	90,802,386 131,455,336 222,257,722	<b>\$</b> 	83,187,875 118,744,436 201,932,311	\$ 	164,769,259 220,499,686 385,268,945	<b>\$</b> _	129,157,032 191,680,487 320,837,519
Long-term liabilities outstanding Other liabilities Total liabilities		69,541,325 13,371,258 82,912,583	_	40,115,930 9,363,940 49,479,870	_	99,464,767 13,707,486 113,172,253	_	91,021,844 13,905,106 104,926,950		169,006,092 27,078,744 196,084,836	_	131,137,774 23,269,046 154,406,820
Net assets: Invested in capital assets, net of related debt Restricted Unrestricted	_	34,026,741 7,178,953 38,892,946	_	50,982,992 4,288,565 14,153,781	_	37,167,271 - 71,918,198	_	31,937,728 - 65,067,633	_	71,194,012 7,178,953 110,811,144	_	82,920,720 4,288,565 79,221,414
Total net assets	\$_	80,098,640	\$_	69,425,338	\$_	109,085,469	\$	97,005,361	\$	189,184,109	\$_	166,430,699

Governmental activities. The City's governmental revenues increased when compared to the prior year by 20.8% or \$8.6 million. Property tax revenue increased due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by \$127.3 million or 6.2% as compared to the prior year while the City property tax rate of \$0.4702 per \$100 assessed valuation remained the same as in the prior year.



The most significant governmental expense for the City was in providing for government, which incurred expenses of \$13.8 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from taxes and intergovernmental, which were \$44.4 million for the fiscal year ending September 30, 2007. The major components of public safety are police and fire. Police accounted for \$9.1 million in public safety expense of which \$8.2 million was incurred for salary and benefits. Fire accounted for \$3.5 million in public safety expense, of which \$3.3 million was incurred for salary and benefits.

**Business-type activities.** Revenues of the City's business-type activities were \$76.7 million for the fiscal year ending September 30, 2007. Expenses for the City's business-type activities were \$65.0 million for the year, resulting in a net increase in net assets of \$11.7 million. The net revenues are the result of several factors, including the following:

- The City's Water and Wastewater System recorded charges for services of \$24.1 million, which exceeded operating expenses of \$17.8 million. The most significant expenses of the Water and Wastewater Fund were \$5.3 million for contracted services for the operation of the surface water treatment plant, and \$2.0 million in salaries and benefits.
- The City's Electric distribution system recorded charges for services of \$45.0 million, which exceeded operating expenses of \$40.1 million. The most significant expense of the Electric Fund was \$29.6 million for the purchase of power.

Governmental and business-type activities increased the City's net assets (Table 2) by \$22.8 million.

TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET ASSETS

		Governmen	ıtal A	ctivities		Business-type Activities				Totals				
		2007		2006		2007		2006		2007		2006		
							_							
Revenues:														
Program revenues:	_													
Charges for services	\$	2,877,826	\$	3,360,577	\$	72,084,166	\$	74,341,571	\$	74,961,992	\$	77,702,148		
Operating grants		( 100 ( ( 5		0.140.010										
and contributions		6,128,665		2,149,913		-		-		6,128,665		2,149,913		
Capital grants		2.021.260		(10.040		200 205		1 100 110		4 000 600		. = <0.4 <0		
and contributions General revenues:		3,921,368		638,048		309,307		1,122,112		4,230,675		1,760,160		
Property taxes, levied														
for general purposes		3,497,202		2 526 200						1 407 202		2 526 260		
Property taxes, levied		3,497,202		3,526,288		-		-		3,497,202		3,526,288		
for debt service		6,061,501		5,386,359						6,061,501		£ 29£ 2£0		
Sales taxes		16,018,106		16,377,390		<u>-</u>		<del>-</del> -		16,018,106		5,386,359 16,377,390		
Franchise taxes		6,927,867		6,999,442		-		_		6,927,867		6,999,442		
Hotel/motel taxes		1,308,101		1,167,046		_		_		1,308,101		1,167,046		
Investment earnings		2,745,676		1,603,021		4,063,644		3,182,034		6,809,320		4,785,055		
Other		720,511		355,469		260,923		27,620		981,434		383,089		
Total revenues		50,206,823	-		_		-				-			
Total revenues	_	30,200,823	_	41,563,553	_	76,718,040	-	78,673,337		126,924,863	_	120,236,890		
Expenses:														
General government		13,769,853		9,416,555		_		_		13,769,853		9,416,555		
Public safety		13,537,545		12,896,427				_		13,537,545		12,896,427		
Community service		9,077,477		8,032,845		_		_		9,077,477		8,032,845		
Interest and fiscal charges	3	2,769,146		1,887,770		-		_		2,769,146		1,887,770		
Electric		-		-		40,539,638		44,786,544		40,539,638		44,786,544		
Water and sewer		-		_		21,657,804		19,702,909		21,657,804		19,702,909		
Airport		-		-		739,316		689,406		739,316		689,406		
Drainage		-		-		577,461		374,013		577,461		374,013		
Waste collection						1,503,213	_	1,410,264		1,503,213		1,410,264		
Total expenses		39,154,021		32,233,597		65,017,432	_	66,963,136		104,171,453		99,196,733		
Increases in net assets														
before transfers		11,052,802		9,329,956		11,700,608		11,710,201		22,753,410		21,040,157		
Transfers	(	379,500)		2,479,810		379,500	(	2,479,810)		-		_		
				<del></del> _		,			_	<del></del>	_	-		
Increase in net assets		10,673,302		11,809,766		12,080,108		9,230,391		22,753,410		21,040,157		
Not assets beginning		(0.425.220		57.041.140		07.005.261		07.540.204		166 120 600				
Net assets, beginning		69,425,338		57,841,148		97,005,361		87,549,394		166,430,699		145,390,542		
Prior period adjustment			(_	225,576)	_		_	225,576	_					
		_	_	_			_							
Net assets, ending	\$	80,098,640	\$	69,425,338	\$	109,085,469	\$_	97,005,361	\$	189,184,109	\$	166,430,699		



#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of San Marcos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of San Marcos' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of San Marcos's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$63.8 million, an increase of \$27 million in comparison with the prior year. Approximately 22.71% of this total amount constitutes unreserved, undesignated fund balance, which is available for use within the City's fund designation and fiscal policies. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase prepaid expenses of the prior period, 2) to pay debt service, 3) for capital projects, or 4) to generate income to pay for the perpetual care of the municipal cemetery.

The General Fund is the main operating fund of the City of San Marcos. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$14.5 million, while total fund balance reached \$14.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39% of total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$5.8 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year was \$3,530,929.

TABLE 3
GOVERNMENTAL TAX REVENUES

		2007		2006	(	Increase Decrease)
Property	\$ 9	,756,640	\$	8,899,335	\$	857,305
Sales	17	7,405,977		16,232,402		1,173,575
Franchise	6	5,927,867		6,999,442	(	71,575)
Hotel/motel	1	,308,101		1,209,367		98,734
Mixed Drink		211,795	_	191,823		19,972
	\$ <u>35</u>	5,610,380	\$_	33,532,369	\$	2,078,011

Other factors concerning the finances of governmental funds have already been addressed in the discussion of the City's governmental activities in the government-wide financial statements.

**Proprietary funds.** The City of San Marcos' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of Water and Wastewater Fund at the end of the year amounted to \$52.0 million, and those for the Electric Fund amounted to \$17.3 million. Other factors concerning the finances of these two funds have already been discussed in the discussion of the City of San Marcos' business-type activities in the government-wide financial statements.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

For FY 2006-07, actual expenditures on a budgetary basis were \$31.17 million compared to the budget amount of \$31.8 million. The \$656,851 positive variance was due to savings achieved through a series of expenditure restrictions imposed by the City Manager's office during the year.

For FY 2006-07, actual revenues on a budgetary basis were \$36.0 million as compared to the budget amount of \$32.9 million. The majority of the \$3.1 million variance was due to the sales tax revenues exceeding the original estimate.

The City of San Marcos has a budgetary basis General Fund balance of \$14.7 million as of the fiscal year-end, compared to the budgeted fund balance of \$11.0 million. The variance in fund balance is primarily due to cost containment measures implemented by management and an increase in sales tax revenues.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At the end of the fiscal year 2007, the City had \$220.5 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater lines. (See Table 4 below.) For more detailed information on capital assets, please refer to the accompanying notes on pages 39 – 40.

TABLE 4

CITY OF SAN MARCOS' CAPITAL ASSETS AT YEAR-END
(Net of Accumulated Depreciation)

	Governmental Activities					Business-ty	ctivities	Totals				
		2007		2006		2007		2006		2007		2006
Land	\$	4,865,153	\$	4,865,153	\$	1,295,061	\$	1,295,061	\$	6,160,214	\$	6,160,214
Buildings		16,373,421		12,983,335		6,369,767		4,144,692		22,743,188		17,128,027
Improvements other												
than buildings		38,398,803		19,315,306		104,938,464		58,982,796		143,337,267		78,298,102
Equipment		19,968,387		5,342,963		6,475,366		2,310,560		26,443,753		7,653,523
Construction in												
progress		30,618,148		24,588,431		61,401,358		52,011,327		92,019,506		76,599,758
Infrastructure		12,522,536	_	5,840,863	_		_	<del>-</del>	_	12,522,536	_	5,840,863
Total capital assets	\$_	122,746,448	\$	72,936,051	\$	180,480,016	\$	118,744,436	\$	303,226,464	\$	191,680,487

**Long-term debt.** At year-end, the City had \$176.0 million in General Obligation Bonds, Combination Tax and Revenue Certificates of Obligations and Revenue Bonds outstanding as compared to \$136.01 million at the end of the prior fiscal year, an increase of 29.4%. For more detailed information on long-term debt, please refer to the accompanying notes on pages 42 – 45.

TABLE 5
CITY OF SAN MARCOS' OUTSTANDING DEBT AT YEAR-END

	Governmental Activities					Business-type Activities				Totals					
		2007 2006		2007		2007		_	2007		2006		2007		2006
General obligation bonds	\$	12,925,000	\$	28,115,000	\$	-	\$	-	\$	12,925,000	\$	28,115,000			
Certificates of obligation		58,485,000		12,300,000		-		-		58,485,000		12,300,000			
Revenue bonds	_	-				104,580,000		95,595,000		104,580,000	_	95,595,000			
	\$	71,410,000	<b>\$</b>	40,415,000	\$_	104,580,000	<b>s</b>	95,595,000	\$	175,990,000	<b>s</b>	136,010,000			

During this fiscal year, General Obligation Bonds and Combination Tax and Revenue Bonds totaling \$47,335,000 were issued to fund both general obligation and revenue projects.

The City has maintained its A+ rating from Standard and Poor's Corporation, and its A1 rating from Moody's Investor Services on its tax supported debt. The City has also maintained its A rating from Standard and Poor's Corporation, and its A2 rating from Moody's Investor Services on its water and wastewater revenue bonds. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.2%.

The City sponsors an employee benefit plan that provides partially self-insured medical and self-insured dental coverage to employees and voluntary coverage to their participating dependents. The plan is designed to provide a specified level of coverage, with excess insurance coverage provided by specific and aggregate reinsurance. The City's maximum medical claim exposure is limited to \$85,000 in claims per covered person and a dental benefit of \$1,250 per covered person per year. Aggregate coverage based on a monthly enrollment limits the medical claims exposure. Claim liability was \$795,920 at September 30, 2007, compared to \$898,440 at September 30, 2006.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged. One of these factors is the improving economy. As a result of the financial challenges facing all municipalities, the City set three goals to maintain its financial stability, a lean organization, a competitively paid staff and investment in capital outlay. These goals were taken into account when adopting the operating budget for fiscal year 2008. The total 2007-08 combined budget appropriation is \$136.4 million. This represents an increase of \$18.9 million or 16.09% over the 2006-07 budget. The increase in the annual budget is largely attributed to investments in capital projects as well as the dramatic increases in the costs of fuel and power generation caused by the increasing price of oil internationally.

The General Fund's largest single revenue source is sales taxes. The City collects a 1.5-cent sales tax on all taxable goods in the City. Sales tax revenue for FY 2008 is budgeted at \$16.7 million.

The property tax rate for FY 2008 is \$0.534 per \$100 valuation. Of this tax rate, \$37.83% or \$0.2006 is used for operations and maintenance activities. The remaining 62.17% or \$0.3296 is used for debt service. The operations and maintenance portion of property tax revenue for FY 2008 is estimated to be \$4.3 million.

The largest revenue source for the Water and Wastewater Fund is water sales, at \$11.7 million. The base rate for FY 2008 is \$18.98 for the first 2,000 gallons for a 5/8"-3/4" meter in the city limits. This rate increases as the meter size increases and/or if the meter is located outside of the city limits. This rate was maintained at the same rate as last year. The second largest revenue source for the Water and Wastewater Fund is wastewater charges, at \$11.1 million. The base rate for FY 2008 is \$22.42 for the first 2,000 gallons. This rate was also maintained the same as the previous fiscal year.

The largest revenue source for the Electric Fund is power sales, at \$50.54 million. The base charge for FY 2008 is \$8.50/month plus \$0.0190 per kwh. This rate was also maintained at the same rate as the previous fiscal year.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of San Marcos, 630 E. Hopkins, San Marcos, TX 78666.

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS

## **SEPTEMBER 30, 2007**

	C	Governmental Activities		Business-type Activities		Total
ASSETS	-					
Cash and equivalents	\$	20,062,137	\$	49,758,853	\$	69,820,990
Investments	•	42,268,653	*	30,413,153	Ψ	72,681,806
Receivables (net of allowance for uncollectible):		, , ,		,,		· <b>_, ,</b>
Accounts		496,750		9,950,860		10,447,610
Taxes		2,834,429		· -		2,834,429
Other		178,603		4,312		182,915
Due from other governments		4,378,719		-		4,378,719
Internal balances		2,826,294	(	2,826,294)		_
Inventories		100,198		1,185,542		1,285,740
Prepaid items		33,915		20,693		54,608
Deferred charges		787,175		2,295,267		3,082,442
Capital assets:		,		, ,		, ,
Land		4,865,153		1,295,061		6,160,214
Construction in progress		30,618,148		61,401,358		92,019,506
Buildings		16,373,421		6,369,767		22,743,188
Improvements other than buildings		38,398,803		104,938,464		143,337,267
Equipment Infrastructure		19,968,387		6,475,366		26,443,753
		12,522,536	,	40.004.600)	,	12,522,536
Less: accumulated depreciation	<u>(</u>	33,702,098)		49,024,680)		82,726,778)
Total capital assets		89,044,350		131,455,336		220,499,686
Total assets		163,011,223		222,257,722		385,268,945
LIABILITIES						
Accounts payable		6,379,888		6,035,153		12,415,041
Unearned revenues		541,443		6,089		547,532
Customer deposits		-		2,076,247		2,076,247
Accrued interest payable		1,091,697		829,997		1,921,694
Noncurrent liabilities:		-,,		023,557		1,521,05
Due within one year		5,358,230		4,760,000		10,118,230
Due in more than one year		69,541,325	_	99,464,767	_	169,006,092
Total liabilities		82,912,583		113,172,253	_	196,084,836
NET ASSETS						
Invested in capital assets, net of related debt		34,026,741		37,167,271		71,194,012
Restricted for:		34,020,741		37,107,271		71,194,012
		517 644				517 644
Economic development		517,644		-		517,644
Grant requirements		262,971		<del>-</del>		262,971
Public safety		73,971		-		73,971
Court security and technology		204,777		-		204,777
Debt service		4,816,308		-		4,816,308
Future convention center		380,276		-		380,276
Park and cemetery trust:						
Nonexpendable		923,006		-		923,006
Unrestricted		38,892,946	_	71,918,198		110,811,144
Total net assets	\$	80,098,640	\$	109,085,469	\$	189,184,109

#### STATEMENT OF ACTIVITIES

#### FOR THE YEAR ENDED SEPTEMBER 30, 2007

			Program Revenue			
			Operating	Capital		
		Charges	Grants and	Grants and		
Functions/Programs	Expenses	for Services	Contributions	Contributions		
Primary government						
Governmental activities:						
General government	\$ 13,769,853	\$ 901,028	\$ 4,204,856	\$ 3,290,209		
Public safety	13,537,545	1,401,176	154,511	-		
Community service	9,077,477	575,622	1,769,298	631,159		
Interest on long-term debt	2,769,146		<u> </u>	<u></u>		
Total governmental activities	39,154,021	2,877,826	6,128,665	3,921,368		
Business-type activities:						
Electric	40,539,638	45,038,579	-	_		
Water and wastewater	21,657,804	24,138,588	-	309,307		
Airport	739,316	210,224	-	-		
Drainage	577,461	1,424,761	-	-		
Waste collection	1,503,213	1,272,014	<del></del>			
Total business-type activities	65,017,432	72,084,166		309,307		
Total primary government	\$ <u>104,171,453</u>	\$ <u>74,961,992</u>	\$ 6,128,665	\$ 4,230,675		

#### General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales

Franchise taxes

Hotel/motel

Other

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expens	e) Revenue and Changes	in Net Assets
	Primary Government	
Governmental Approximation 1	Business-type	
<u>Activities</u>	Activities	Total
\$( 5,373,760)	\$ -	\$( 5,373,760)
(11,981,858)	-	(11,981,858)
( 6,101,398)	-	( 6,101,398)
(2,769,146)	<del>-</del>	(2,769,146)
(26,226,162)	-	(26,226,162)
-	4,498,941	4,498,941
-	2,790,091	2,790,091
-	( 529,092)	( 529,092)
-	847,300	847,300
<del>-</del>	( 231,199)	( 231,199)
<del></del>	7,376,041	7,376,041
( 26,226,162)	7,376,041	( 18,850,121)
3,497,202	-	3,497,202
6,061,501 16,018,106	-	6,061,501 16,018,106
6,927,867	- -	6,927,867
1,308,101	-	1,308,101
211,795	-	211,795
2,745,676	4,063,644	6,809,320
508,716	260,923	769,639
( 379,500)	379,500	, 05,055
36,899,464	4,704,067	41,603,531
10,673,302	12,080,108	22,753,410
69,425,338	97,005,361	166,430,699
\$ 80,098,640	\$ 109,085,469	\$ 189,184,109

#### BALANCE SHEET

#### **GOVERNMENTAL FUNDS**

## **SEPTEMBER 30, 2007**

Cash and cash equivalents			O 1	Hotel			Capital	-			Other		m . •
Cash and cash equivalents			General	. —	Occupancy	_	Projects	-	Service	G	overnmental	·	Total
Cash and cash equivalents	ASSETS												
Investments	Cash and cash equivalents	\$	319,111	\$	691,927	\$	15,412,873	\$	1,224,485	\$	1,625,078	\$	19,273,47
Receivables (net of allowance   For uncollectibles):	•		•		-					•	-,,	•	40,746,69
For uncollectibles	Receivables (net of allowance						, ,		, ,				,
Taxes 2,204,652 485,937 - 143,840 - 2,83 Loans 162,236 16 Due from other finds 5,788,449 3,184 4,625,400 - 83,462 10,50 Due from other governments 162,340 1,50 Due from other governments 10,198 1,10,198 1	•												
Taxes 2,204,652 485,937 - 143,840 - 2,33 Loans 162,236 16 16 Loans 162,246 16 16 Loans 162,246 16 16 Loans 162,246 16 16 Loans 10 16 Loans	Accounts		444,769		-		36,080		_		323		481,17
Loans	Taxes		2,204,652		485,937		•		143,840		_		2,834,42
Due from other funds	Loans		-		-		-				162,236		162,23
Due from other governments	Due from other funds		5,788,449		3,184		4,625,400		_		· ·		10,500,49
Inventories   100,198	Due from other governments		-		-		-		_		· · · · · · · · · · · · · · · · · · ·		4,378,71
Prepaid items	•		100,198		•		-		_		-		100,19
Total assets			•		-		_		_		_		33,91
Total assets   \$\frac{20,252,269}{20,252,269} \\$ \frac{1,181,048}{1,181,048} \\$ \frac{44,920,885}{44,920,885} \\$ \\$ \frac{5,908,005}{5,908,005} \\$ \frac{6,265,493}{6,265,493} \\$ \\$ \frac{78,525}{78,525} \]    LIABILITIES AND FUND BALANCES	•		-		_		_		692		15 675		16,36
LIABILITIES AND FUND BALANCES  Liabilities:  Accounts payable and accrued liabilities \$ 2,054,432 \$ 265,768 \$ 2,882,261 \$ - \$ 381,507 \$ 5,58  Deferred revenue 741,096 32 - 143,840 448,127 1,33  Due to other funds 2,729,566 17,328 1,141,408 - 3,943,311 7,83  Total liabilities 5,525,094 283,128 4,023,669 143,840 4,772,945 14,744  Fund balances:  Reserved for: Inventories 100,198 100  Prepaid items 33,915 100  Prepaid items 33,915 923,006 92  Debt service 5,764,165 - 5,766  Future conference center - 380,276 5,764,165 - 5,766  Future conference center - 380,276 380  Unreserved, reported in: General fund: Designated for benefits 110,000 110  Undesignated 14,483,062 110  Undesignated 14,483,062 14,482  Special revenue funds - 517,644 569,542 1,087  Capital projects funds 40,897,216 569,542 1,087  Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775	Onici assots			_		_		_	<u> </u>	_	15,075		10,50
Liabilities	Total assets	\$	20,252,269	\$	1,181,048	\$_	44,920,885	\$_	5,908,005	\$	6,265,493	\$	78,527,70
Due to other funds         2,729,566         17,328         1,141,408         -         3,943,311         7,83           Total liabilities         5,525,094         283,128         4,023,669         143,840         4,772,945         14,744           Fund balances:           Reserved for:         Inventories         100,198         -         -         -         -         100           Prepaid items         33,915         -         -         -         -         33           Cemetery memorial         -         -         -         -         923,006         92           Debt service         -         -         -         5,764,165         -         5,76           Future conference center         -         380,276         -         -         -         38           Unreserved, reported in:         General fund:           Designated for benefits         110,000         -         -         -         110           Undesignated         14,483,062         -         -         -         14,483           Special revenue funds         -         517,644         -         -         569,542         1,087           Capital projects funds<	• •	\$	2,054,432	\$	265,768	\$	2,882,261	\$	_	\$	381,507	\$	5,583,96
Due to other funds         2,729,566         17,328         1,141,408         -         3,943,311         7,83           Total liabilities         5,525,094         283,128         4,023,669         143,840         4,772,945         14,744           Fund balances:           Reserved for:         Inventories         100,198         -         -         -         -         100           Prepaid items         33,915         -         -         -         -         33           Cemetery memorial         -         -         -         -         923,006         92           Debt service         -         -         -         5,764,165         -         5,76           Future conference center         -         380,276         -         -         -         38           Unreserved, reported in:         General fund:           Designated for benefits         110,000         -         -         -         110           Undesignated         14,483,062         -         -         -         14,483           Special revenue funds         -         517,644         -         -         569,542         1,087           Capital projects funds<		\$		\$	•	25	2,882,261	\$	-	\$	•	\$	
Total liabilities         5,525,094         283,128         4,023,669         143,840         4,772,945         14,743           Fund balances:         Reserved for:           Inventories         100,198         -         -         -         100           Prepaid items         33,915         -         -         -         -         33           Cemetery memorial         -         -         -         -         923,006         922           Debt service         -         -         -         5,764,165         -         5,766           Future conference center         -         380,276         -         -         -         380           Unreserved, reported in:         General fund:         -         -         -         -         380           General fund:         Designated for benefits         110,000         -         -         -         -         110           Undesignated         14,483,062         -         -         -         -         14,483           Special revenue funds         -         517,644         -         -         569,542         1,083           Capital projects funds         -         -         40,897,216			•				1 141 409		•				1,333,09
Fund balances:  Reserved for:  Inventories 100,198 100  Prepaid items 33,915 923,006 923  Cemetery memorial 5,764,165 - 52,764  Future conference center - 380,276 380  Unreserved, reported in:  General fund:  Designated for benefits 110,000 110  Undesignated 14,483,062 14,483  Special revenue funds - 517,644 569,542 1,083  Capital projects funds - 517,644 569,542 1,083  Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775				_		_	<del></del>	_		_		_	7,831,61
Reserved for:   Inventories	Total liabilities	_	5,525,094	_	283,128	_	4,023,669	_	143,840	_	4,772,945	_	14,748,67
Inventories   100,198   -	Fund balances:												
Prepaid items         33,915         -         -         -         33           Cemetery memorial         -         -         -         -         923,006         923           Debt service         -         -         -         5,764,165         -         5,764           Future conference center         -         380,276         -         -         -         380           Unreserved, reported in:         -         -         -         -         -         380           General fund:         -         -         -         -         -         -         -         -         110           Undesignated for benefits         110,000         -         -         -         -         -         14,483           Special revenue funds         -         517,644         -         -         569,542         1,087           Capital projects funds         -         -         40,897,216         -         -         40,897           Total fund balances         14,727,175         897,920         40,897,216         5,764,165         1,492,548         63,775	Reserved for:												
Cemetery memorial       -       -       -       923,006       923         Debt service       -       -       5,764,165       -       5,764         Future conference center       -       380,276       -       -       -       380         Unreserved, reported in:       General fund:         Designated for benefits       110,000       -       -       -       -       110         Undesignated       14,483,062       -       -       -       14,483         Special revenue funds       -       517,644       -       -       569,542       1,087         Capital projects funds       -       -       40,897,216       -       -       40,897         Total fund balances       14,727,175       897,920       40,897,216       5,764,165       1,492,548       63,775	Inventories		100,198		-		-		-		-		100,19
Debt service 5,764,165 - 5,764 Future conference center - 380,276 380 Unreserved, reported in:  General fund:  Designated for benefits 110,000 110 Undesignated 14,483,062 14,483 Special revenue funds - 517,644 569,542 1,087 Capital projects funds - 40,897,216 40,897 Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775  Total liabilities and	Prepaid items		33,915		-		-		•		-		33,91
Future conference center - 380,276 380 Unreserved, reported in:  General fund:  Designated for benefits 110,000 100 Undesignated 14,483,062 14,483 Special revenue funds - 517,644 569,542 1,087 Capital projects funds - 40,897,216 40,897 Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775  Total liabilities and	Cemetery memorial		-		-		-		-		923,006		923,00
Unreserved, reported in:  General fund:  Designated for benefits 110,000 110  Undesignated 14,483,062 14,483  Special revenue funds - 517,644 569,542 1,087  Capital projects funds - 40,897,216 40,897  Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775  Total liabilities and	Debt service		-		-		-		5,764,165		-		5,764,16
General fund:       Designated for benefits       110,000       -       -       -       110         Undesignated       14,483,062       -       -       -       14,483         Special revenue funds       -       517,644       -       -       569,542       1,087         Capital projects funds       -       -       40,897,216       -       -       40,897         Total fund balances       14,727,175       897,920       40,897,216       5,764,165       1,492,548       63,775	Future conference center		-		380,276		-		-		-		380,27
Designated for benefits         110,000         -         -         -         -         110           Undesignated         14,483,062         -         -         -         14,483           Special revenue funds         -         517,644         -         -         569,542         1,087           Capital projects funds         -         -         40,897,216         -         -         40,897           Total fund balances         14,727,175         897,920         40,897,216         5,764,165         1,492,548         63,775           Total liabilities and	· •												
Undesignated         14,483,062         -         -         14,483           Special revenue funds         -         517,644         -         -         569,542         1,087           Capital projects funds         -         -         40,897,216         -         -         40,897           Total fund balances         14,727,175         897,920         40,897,216         5,764,165         1,492,548         63,779           Total liabilities and         -			110 000		_		_		_				110,00
Special revenue funds         -         517,644         -         -         569,542         1,087           Capital projects funds         -         -         40,897,216         -         -         40,897           Total fund balances         14,727,175         897,920         40,897,216         5,764,165         1,492,548         63,775           Total liabilities and	-		•		_		_		_		-		•
Capital projects funds 40,897,216 40,897  Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775  Total liabilities and	•		14,405,002		517 644		_		_		560 542		1,087,18
Total fund balances 14,727,175 897,920 40,897,216 5,764,165 1,492,548 63,775  Total liabilities and	•		_		J17,044		40 807 216		-		202,242		
Total liabilities and		_	14,727,175	_	897,920			-	5,764,165	_	1.492,548		63,779,02
	Town Town Owner,	_		_		_			- , ,,100	-	~, . ~ <u>~ ~ 10</u>	_	02,.12,02
		ę	20 252 260	e	1 191 049	e	44 020 895	e	5 009 005	e.	6 265 402	e	78,527,700

# RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

## **SEPTEMBER 30, 2007**

Total fund balance, governmental funds	\$	63,779,024
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		89,044,350
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		806,219
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		1,673,124
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(</u>	75,204,077)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	80,098,640

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### **GOVERNMENTAL FUNDS**

## FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General	Hotel Occupancy	Capital Projects	Debt Service	Other Governmental	Total
REVENUES						
Taxes	\$ 28,205,149	\$ 1,308,101	\$ -	\$ 6,097,130	\$ -	\$ 35,610,380
Licenses and permits	688,943	-	-	-	-	688,943
Fees and penalties	1,397,030	-	-	-	53,528	1,450,558
Charges for services	4,673,630	-	-	-	-	4,673,630
Intergovernmental	170,114	-	1,637,039	-	8,242,880	10,050,033
Interest on investments	683,500	23,111	1,540,410	471,636	27,019	2,745,676
Other	148,129	10,651	223,994	91,378	34,564	508,716
Total revenues	35,966,495	1,341,863	3,401,443	6,660,144	8,357,991	55,727,936
EXPENDITURES						
Current:						
General government	12,802,847	-	_	_	4,208,259	17,011,106
Public safety	13,198,452	-	-	-	157,534	13,355,986
Community service	4,971,358	1,015,162	-	-	2,376,281	8,362,801
Capital outlay	122,440	•	16,031,168	·•	1,678,846	17,832,454
Debt service:						
Principal	71,487	-	•	3,195,000	-	3,266,487
Interest and fiscal charges	7,416		929,017	1,820,060	-	2,756,493
Total expenditures	31,174,000	1,015,162	16,960,185	5,015,060	8,420,920	62,585,327
EXCESS (DEFICIENCY) OF REVENUE	S					
OVER (UNDER) EXPENDITURES	4,792,495	326,701	( 13,558,742)	1,645,084	( 62,929)	( 6,857,391)
OTHER FINANCING SOURCES (USES)						
Transfers in	35,000	19,104	3,758,394	1,885,845	177,627	5,875,970
Transfers out	( 4,265,825)	-	( 1,920,845)	-	( 68,800)	( 6,255,470)
Capital -related debt issued		_	34,190,000	-	-	34,190,000
Total other financing sources and uses	( 4,230,825)	19,104	36,027,549	1,885,845	108,827	33,810,500
NET CHANGE IN FUND BALANCES	561,670	345,805	22,468,807	3,530,929	45,898	26,953,109
FUND BALANCES, BEGINNING	14,165,505	552,115	18,428,409	2,233,236	1,446,650	36,825,915
FUND BALANCES, ENDING	\$ <u>14,727,175</u>	\$897,920	\$40,897,216	\$ <u>5,764,165</u>	\$1,492,548	\$63,779,024

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ACTIVITIES

# FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds:	\$	26,953,109
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		16,108,299
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(	1,588,054)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(	30,936,164)
Some expenses reported in the statement of activates do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(	295,984)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		432,096
Change in net assets of governmental activities	\$_	10,673,302

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

#### GENERAL FUND

# FOR THE YEAR ENDED SEPTEMBER 30, 2007

				Variance with
	Rudgeted	l Amounts	Actual	Final Budget - Positive
	Original	Final	Amounts	(Negative)
		<del></del>		
REVENUES				
Taxes	\$ 24,354,120	\$ 25,190,461	\$ 28,205,149	\$ 3,014,688
Licenses and permits	830,835	830,835	688,943	( 141,892)
Fines and penalties	1,277,203	1,277,203	1,397,030	119,827
Charges for services	4,643,526	4,643,526	4,673,630	30,104
Intergovernmental	142,872	142,872	170,114	27,242
Interest on investments	490,152	490,152	683,500	193,348
Other	196,778	283,683	148,129	( 135,554)
Total revenues	31,935,486	32,858,732	35,966,495	3,107,763
EXPENDITURES				
Current:				
General government	14,868,453	13,297,542	12,802,847	494,695
Public safety	12,705,056	13,251,994	13,198,452	53,542
Community service	4,969,199	5,071,705	4,971,358	100,347
Capital outlay	236,000	122,870	122,440	430
Debt service:				
Principal	78,881	79,324	71,487	7,837
Total expenditures	32,857,589	31,823,435	31,166,584	656,851
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	( 922,103)	1,035,297	4,799,911	3,764,614
Proceeds from capital leases	-	-	-	-
Transfers in	-	35,000	35,000	-
Transfers out	(1,923,110)	(4,234,772)	( 4,265,825)	( 31,053)
Total other financing sources and uses	( 1,923,110)	( 4,199,772)	( 4,230,825)	( 31,053)
NET CHANGE IN FUND BALANCES	( 2,845,213)	( 3,164,475)	569,086	3,733,561
FUND BALANCES, BEGINNING	14,165,505	14,165,505	14,165,505	
FUND BALANCES, ENDING	\$ <u>11,320,292</u>	\$ <u>11,001,030</u>	\$ <u>14,734,591</u>	\$3,733,561

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

#### **HOTEL OCCUPANCY**

# FOR THE YEAR ENDED SEPTEMBER 30, 2007

		d Amounts	Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES			-	
Taxes	\$ 1,232,491	\$ 1,232,491	\$ 1,308,101	\$ 75,610
Interest on investments	-	-	23,111	23,111
Other	_	-	10,651	10,651
Total revenues	1,232,491	1,232,491	1,341,863	109,372
EXPENDITURES Current:				
Community service	1,453,579	1,432,279	1,015,162	417,117
Total expenditures	1,453,579	1,432,279	1,015,162	417,117
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	( 221,088)	( 199,788)	326,701	526,489
OTHER FINANCING SOURCES (USES)				
Transfers in	19,104	19,104	19,104	-
Total other financing sources and uses	19,104	19,104	19,104	
NET CHANGE IN FUND BALANCE	( 201,984)	( 180,684)	345,805	526,489
FUND BALANCE, BEGINNING	552,115	552,115	552,115	
FUND BALANCE, ENDING	\$ 350,131	\$ 371,431	\$897,920	\$526,489

## STATEMENT OF NET ASSETS

#### PROPRIETARY FUNDS

## **SEPTEMBER 30, 2007**

Governmental

			Ві	ısiness-type Activ	vities -	- Enterprise Funds	3			Activities-	
				Water and		Other				Internal	
		Electric		Wastewater		Enterprise		Total		Service	
ASSETS			_		_						
Current assets:		6.554.005	•	05465504		0.005.45	_				
Cash and cash equivalents	\$	6,554,895	\$	35,167,791	\$	8,036,167	\$	49,758,853	\$	788,663	
Investments Accounts receivable, net		10,538,239 6,020,726		18,182,384		1,692,530		30,413,153		1,521,958	
Due from other funds		1,749,593		3,525,901 348,204		404,233 59,115		9,950,860 2,156,912		1,011 517,246	
Inventories		918,105		267,437		39,113		1,185,542		317,240	
Other assets		19,029		1,652		12		20,693		-	
Other receivables		4,312		-,				4,312		_	
Total current assets		25,804,899	_	57,493,369	_	10,192,057	-	93,490,325		2,828,878	
Non-current assets:		-		<del></del>	_	<del></del>					
Deferred charges		236,821		1,915,191		143,255		2,295,267		-	
Capital assets:						·					
Land		31,695		1,163,029		100,337		1,295,061		-	
Buildings		472,092		1,557,930		4,339,745		6,369,767		-	
Improvements other than buildings		14,204,681		80,331,612		10,402,171		104,938,464		-	
Furnishings and equipments		1,951,339		4,131,856		392,171		6,475,366			
Construction in progress		11,240,625		48,348,715		1,812,018		61,401,358		_	
Less accumulated depreciation	(	10,890,374)	(	30,814,886)	(	7,319,420)	(	49,024,680)		-	
Total capital assets		17,010,058		104,718,256		9,727,022		131,455,336		-	
Total non-current assets	_	17,246,879	_	106,633,447	_	9,870,277	_	133,750,603		-	
Total assets	\$	43,051,778	\$	164,126,816	\$_	20,062,334	\$	227,240,928	\$	2,828,878	
LIABILITIES		_				•					
Current liabilities:	æ	2 794 106	•	1 005 100	•	0.65.050		6.005.450	_		
Accounts payable and accrued liabilities  Due to other funds	\$	3,784,106	\$	1,885,188	\$	365,859	\$	6,035,153	\$	-	
Due to other lands Deferred revenue		2,751,192		2,497,665		94,183 6,089		5,343,040		-	
Claims payable		_		-		0,069		6,089		795,920	
Customer deposits		1,608,929		467,318		-		2,076,247		193,920	
Accrued interest payable		179,287		591,299		59,411				-	
		825,000				-		829,997		-	
Current maturities of long-term debt  Total current liabilities	-	9,148,514		3,620,000 9,061,470		315,000 840,542	_	4,760,000	_	705.000	
	_	9,140,314	_	9,001,470	-	640,342	_	19,050,526	_	795,920	
Non-current liabilities: Long-term debt		9,241,018		92 205 904		7 710 000		00.046.000			
Compensated absences		134,437		82,295,804 83,508		7,710,000		99,246,822 217,945		-	
Total non-current liabilities		9,375,455	-	82,379,312	_	7,710,000	-	99,464,767	_		
Total liabilities		18,523,969		91,440,782	_	8,550,542		118,515,293		795,920	
NET ASSETS		20,020,000	_	21,110,102		0,550,512	_	110,515,255	_	193,920	
Invested in capital assets, net of related debt		7,180,861		20,717,643		9,268,767		37,167,271		_	
Unrestricted		17,346,948	_	51,968,391	_	2,243,025		71,558,364		2,032,958	
Total net assets	\$ <u></u>	24,527,809	\$	72,686,034	\$	11,511,792		108,725,635	\$	2,032,958	
The assets and liabilities of certain internal serv statement, but are included in the business-type					ıl			359,834			
Total net assets per government-wide fi	nancie	il etatemente					\$	109,085,469			
Town nor assers ber Envermment-wine it	папота	a samements					~	,,			

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

## FOR THE YEAR ENDED SEPTEMBER 30, 2007

										Governmental
			Bu		ities	- Enterprise Fund	s			Activities
				Water and		Other				Internal
		Electric		Wastewater	_	Enterprise		Total		Service
OPERATING REVENUES										
Charges for services	\$	45,038,579	\$	24,138,588	\$	2,906,999	\$	72,084,166	\$	-
Employer contributions		_		-		-		•		2,398,485
Employee contributions		-		-		-		•		660,301
Retiree contributions		-		-		-		-		103,020
Pharmacy rebates		-		-		=		-		10,809
Other refunds		-		-		-		-		21,797
Total operating revenues		45,038,579	_	24,138,588	-	2,906,999		72,084,166	_	3,194,412
OPERATING EXPENSES										
Purchased power		29,650,982		-		-		29,650,982		-
Franchise taxes		4,036,090		2,006,228				6,042,318		•
Personnel services		2,797,625		2,090,904		130,893		5,019,422		•
Contracted services		713,693		5,322,902		1,578,899		7,615,494		-
Materials and supplies		344,218		746,325		27,002		1,117,545		-
Indirect costs		1,270,589		3,153,390		81,806		4,505,785		-
Claims		-		-		-		-		2,466,636
Other charges		673,066		486,350		33,548		1,192,964		300,276
Depreciation		648,605		3,990,601	_	677,690		5,316,896		
Total operating expenses	_	40,134,868	_	17,796,700	_	2,529,838	_	60,461,406	_	2,766,912
OPERATING INCOME	_	4,903,711	_	6,341,888	-	377,161	_	11,622,760	_	427,500
NON-OPERATING REVENUES (EXPENSES)										
Interest on investment		789,729		2,871,706		402,209		4,063,644		102,493
Interest and fiscal charges	(	502,762)	(	3,861,104)	(	290,152)	(	4,654,018)		-
Capital recovery fees	•	- ,	`	309,307	`	•	`	309,307		-
Other		6,299		242,500		12,124		260,923		95
Total non-operating revenue (expenses)	_	293,266	(	437,591)	_	124,181	(	20,144)		102,588
INCOME BEFORE TRANSFERS		5,196,977		5,904,297		-		11,602,616		530,088
Transfers in				50,000		354,500		404,500		
Transfers out	,	25,000)		50,000		334,300	,			•
Hansiers out	7		_	<u> </u>	-	<u> </u>	7	25,000)	_	
CHANGE IN NET ASSETS		5,171,977		5,954,297		855,842		11,982,116		530,088
TOTAL NET ASSETS, BEGINNING	_	19,355,832	_	66,731,737	-	10,655,950	-	96,743,519	_	1,502,870
TOTAL NET ASSETS, ENDING	\$	24,527,809	\$_	72,686,034	\$_	11,511,792		108,725,635	\$	2,032,958
Change in net assets, per above								11,982,116		
Internal service funds are used by management to chindividual funds. The net revenue (expense) of certal Business Activities.	_							97,992		
							_	31,332		
Change in business-type activities in net assets per g	over	nment-wide finar	icial s	statements			\$	12,080,108		

#### STATEMENT OF CASH FLOWS

# PROPRIETARY FUNDS

# YEAR ENDED SEPTEMBER 30, 2007

			Busin	ess-type Activi	ties - ]	Enterprise Fun	ds			overnmental Activities -
		Electric		Water and Wastewater		Other Funds		Totals		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES Cash received from customers Cash paid to suppliers for goods and services Cash paid to employees for services Net cash provided by operating activities	\$ ( 	45,861,103 35,070,356) 4,764,973) 6,025,774	\$ ( <u>(</u>	24,609,462 4,370,481) 10,561,971) 9,677,010	\$ ( <u>(</u>	2,919,432 522,706) 1,306,542) 1,090,184	\$ ( <u>(</u>	73,389,997 39,963,543) 16,633,486) 16,792,968	\$ ( 	3,193,549 2,812,633)  380,916
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES Transfers from other funds Transfers to other funds	(	- 25,000)	(	- 50,000)		354,500	(	354,500 75,000)		
Cash paid for miscellaneous items Cash received from other funds Net cash provided (used) by noncapital financing activities	<u>_</u>	6,428 95,833) 114,405)	( 	7,339) - 57,339)	_	366,623	_	95,833) 194,879	_	95 95
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Proceeds from capital debt Capital recovery fees Principal paid on debt Interest and fiscal charges paid on debt Acquisition of capital assets Net cash used by capital and related financing activities	( ( _ (	720,000 - 790,000) 430,136) 1,355,955) 1,856,091)	( ( )	10,725,000 309,307 3,195,000) 3,945,050) 15,171,771) 11,277,514)	( ( <u>(</u>	1,700,000 - 175,000) 304,851) 1,497,980) 277,831)	( ( <u>(</u>	13,145,000 309,307 4,160,000) 4,680,037) 18,025,706)	_	- - - - -
CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sales and maturities of investments Interest received Net cash provided (used) by investing activities	( 	2,108,629) 789,729 1,318,900)		3,436,250 2,871,706 6,307,956	_	4,135,445 402,209 4,537,654		5,463,066 4,063,644 9,526,710	_	123,867 102,493 226,360
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,736,378		4,650,113		5,716,630		13,103,121		607,371
CASH AND CASH EQUIVALENTS, BEGINNING	_	3,818,517	_	30,517,678	_	2,319,537		36,655,732		181,292
CASH AND CASH EQUIVALENTS, ENDING	<b>\$_</b>	6,554,895	\$	35,167,791	<u>\$</u>	8,036,167	\$	49,758,853	\$	788,663

#### STATEMENT OF CASH FLOWS

# PROPRIETARY FUNDS (Continued) YEAR ENDED SEPTEMBER 30, 2007

		Business-type Activities - Enterprise Funds								
		Electric		Water and Wastewater		Other Funds	Totals			Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:										
Operating income	\$	4,903,711	\$	6,341,888	\$	377,161	\$	11,622,760	\$	427,500
Adjustments to reconcile operating income										
to net cash provided by operating activities:										
Depreciation		648,605		3,990,601		677,690		5,316,896		-
Changes in assets and liabilities:										
Decrease (increase) in assets:										
Accounts receivable		641,693		408,376		13,388		1,063,457	(	863)
Due from other funds	(	1,624,543)		-	(	35,892)	(	1,660,435)		56,799
Other assets		1,181		1,495		-		2,676		-
Inventories	(	19,493)	(	47,650)		-	(	67,143)		-
Increase (decrease) in liabilities:										
Accounts payable	(	347,688)	(	815,455)	(	27,415)	(	1,190,558)		-
Due to other funds		1,624,543	(	269,968)		86,207		1,440,782		
Deferred revenue		-		-	(	955)	(	955)		-
Claims payable		-		-	`	• ′	`	- ′	(	102,520)
Compensated absences		16,934		5,225		-		22,159	`	-
Customer deposits		180,831	-	62,498				243,329		
Net cash provided by operations	\$	6,025,774	\$	9,677,010	\$	1,090,184	\$	16,792,968	\$	380,916

#### NOTES TO FINANCIAL STATEMENTS

**SEPTEMBER 30, 2007** 

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of San Marcos, Texas (the City) was incorporated July 11, 1877, while the City's Home Rule Charter was adopted by election in 1967. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, electric, water and wastewater services.

The accompanying financial statements comply with the provisions of the GASB Statement No. 14 and 39, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

# B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

# C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period. Property taxes availability period is considered to be 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The <u>General Fund</u> is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The <u>Hotel Occupancy Fund</u> accounts for the activities associated with hotel occupancy taxes.

The <u>Capital Projects Fund</u> accounts for the acquisition of fixed assets or construction of major capital projects not being financed by other funds.

The <u>Debt Service Fund</u> accounts for the accumulation of resources for the payment of general long-term principal, interest, and related costs.

# C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

The <u>Electric Fund</u> accounts for the activities necessary for the provision of electric services.

The *Water and Wastewater Fund* accounts for the activities necessary for the provision of water and sewer services.

Additionally, the County reports the following fund type:

<u>Internal Service Fund</u> accounts for health benefits provided to other departments or agencies of the City on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# D. Assets, Liabilities and Net Assets or Equity

### **Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, investment securities with a maturity of three months or less from the date of purchase.

Statutes authorize the City to invest in obligations of U. S. Treasury or its agencies and instrumentalities, obligations of the state or its agencies, other investments guaranteed by the U. S. Treasury or the State of Texas, or investments rated by a national rating company at "A" or better. The City is also authorized to invest in fully collateralized repurchase agreements, local government investment pools, and in certificates of deposit issued by banks domiciled in Texas that are FDIC insured or have securities (of aforementioned quality) pledged to secure these deposits. The investment of idle funds has been restricted to U. S. Government Treasury and agency securities and time deposits with the City's depository banks.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

# Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 9.0 percent of outstanding property taxes at September 30, 2007.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

# D. Assets, Liabilities and Net Assets or Equity (Continued)

#### **Inventories and Prepaid Items**

Inventory is valued at cost using the average cost method of accounting. Inventory in the General Fund consists of expendable supplies held for consumption. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method). Inventory reported in the General Fund is offset by a fund balance reserve which indicates that it does not represent "available spendable resources" even though it is a component of net current assets. Inventory in the Water and Wastewater and Electric Funds consists of parts and maintenance items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20-50
Improvements	10-40
Equipment	5-10
Infrastructure (streets and drainage)	35-125

#### **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# D. Assets, Liabilities and Net Assets or Equity (Continued)

### **Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### **Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

### D. Assets, Liabilities and Net Assets or Equity (Continued)

#### **Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

#### 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

# Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$75,204,077 difference are as follows:

General obligation bonds	\$	71,410,000
Accrued interest payable		1,091,697
Capitalized lease obligations		68,555
Compensated absences		3,681,898
Deferred charge for bond issuance costs	<u>(</u>	1,048,073)
Net adjustment to reduce fund balance - total		
governmental funds to arrive at net assets -		
governmental activities	\$	75,204,077

# 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

# Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$16,108,299 difference are as follows:

Capital outlay	\$	19,751,125
Depreciation expense	(_	3,642,826)
Net adjustment to increase net changes in fund balances -		
total governmental funds to arrive at changes in net		
assets of governmental activities	\$	16,108,299

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$1,588,054 difference are as follows:

Property taxes	\$ 197,937
Sales taxes	1,387,871
Court fines	 2,246
Net adjustment to increase net changes in fund balances -	
total governmental funds to arrive at changes in net	
assets of governmental activities	\$ 1,588,054

# 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

# Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$30,936,164 difference are as follows:

Debt issued or incurred:		
Issuance of general obligation bonds	\$	34,190,000
Deferred charge for bond issuance costs	(	874,497)
Interest payable		887,150
Principal repayments:		
Capital lease financing	(	71,489)
General obligation debt	_	3,195,000)
Net adjustment to decrease net changes in fund balances -		
total governmental funds to arrive at changes in net		
assets of governmental activities	\$	30,936,164

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$295,984 difference are as follows:

Compensated absences	\$ 295,984
Net adjustment to decrease net changes in fund balances -	
total governmental funds to arrive at changes in net	
assets of governmental activities	\$ 295,984

# 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### **Budgetary Information**

The City Charter prescribes certain requirements for adoption of an annual operating budget by the City Council. The Council must have a public hearing on the budget and may not adopt the budget until after 14 days after the hearing. The budget is to be adopted at least 15 days before the beginning of the fiscal year to which it applies.

# 3.

# STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

# **Budgetary Information** (Continued)

The amounts of proposed expenditures become appropriated to the objects and purposes named in the budget upon the effective date after adoption. The total estimated expenditures of the General Fund shall not exceed the total estimated resources of the fund (prospective income plus cash on hand).

The City budget may be amended and appropriations may be altered in cases of public necessity, as declared by the City Council. The City Manager has the ability to reallocate funds from one line item to another within the various budget categories within the same department (i.e., personnel services, other charges, contracted services, etc.), but City Council approval is required for budget adjustments between departments.

The budget ordinance states that expenditures should not exceed the budget in the various departments (administration, personnel, finance, etc.) within an individual fund. The City's appropriation ordinance approves items as detailed in the approved budget. Budgeted amounts reported are based on the budget ordinance originally adopted and as amended by the City Council throughout the year.

Formal budgetary accounting is employed for all funds of the City, excluding Grants and Special Entitlements, Karnack, Seized Asset, Library Memorial, Cemetery, Municipal Court Security Fee, Parks and Recreation, Capital Projects and the Cemetery Perpetual Permanent Fund. Annual operating budgets are prepared and presented for the General Fund, Debt Service Fund, and all other Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

Budgets for the Governmental Fund Types are prepared and adopted on the GAAP basis. Budgets for expenses used for managerial control have been prepared for the Enterprise Funds on a non-GAAP basis, which excludes depreciation, but includes capital outlay and total debt service.

The City Council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations were not considered material.

#### 4. DETAILED NOTES ON ALL FUNDS

## **Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable investments, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local parties.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

- 1. Custodial Credit Risk Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2007, the City had a bank balance of \$2,898,546. Of this amount, \$2,052,255 was collateralized with securities held by the pledging financial institution and \$200,000 of the deposits was covered by FDIC insurance and the remaining deposits were uncollateralized at year-end.
- 2. Credit Risk: It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investment pool was rated AAAm by Standard and Poor's Investors Services.
- 3. Interest Rate Risk: In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 270 days or less, dependent on market conditions.

# 4. **DETAILED NOTES ON ALL FUNDS (Continued)**

# **Deposits and Investments** (Continued)

4. Concentration of Credit Risk: The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

The City's investments at September 30, 2007, are shown below:

		Fair Value	Rating	Rating Agency	Weighted Average Maturity (Days)
TexStar	\$	63,019,889	AAAm	Standard & Poor's	24
Money Markets		8,569,206	<b>AAA</b> m	Standard & Poor's	N/a
FNMA		33,840,746	AAA	Standard & Poor's	120
FMHL		13,854,145	AAA	Standard & Poor's	120
Freddie Mac	_	14,895,751	AAA/A-1+	Standard & Poor's	113
Total Fair Value	\$	134,179,737			

Texas Short-term Asset Reserve Program (TexStar) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public fund investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

All investments are stated at amortized cost, which in most cases approximates the fair value of the securities. The objective is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured. All securities will be marked-to-market daily. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than \$0.995 or greater than \$1.005, the pool will sell portfolio holdings, as required, to maintain the ratio between \$0995 and \$1.005. All gains or losses from the sale of securities will be distributed among participants over a period of up to thirty (30) days from the date of which the gain or loss is realized.

# 4. **DETAILED NOTES ON ALL FUNDS (Continued)**

# Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

		General	_ <u>c</u>	Hotel Occupancy		Capital Projects	_	Debt Service	. <u>-</u>	Electric		Water/ astewater		Nonmajor Funds	_	Total
Receivables:																
Taxes	\$	699,999	\$	-	\$	-	\$	177,220	\$	-	\$	-	\$	-	\$	877,219
Accounts		2,001,608		489,708		36,080		-		7,120,435	:	3,808,915		3,903,520		17,360,266
Due from governments		-		-		-		-		-		-		962,275		962,275
Other		-		-		-		-		4,312				-		4,312
Loans		<u>-</u>	_	-	_		_	-	_	_			_	162,236	_	162,236
Gross receivables		2,701,607		489,708		36,080		177,220		7,124,747	3	3,808,915		5,028,031		19,366,308
Less: allowance for																
uncollectibles	(_	52,186)	(	3,771)	_		(	33,380)	(	1,099,709)	<u>(</u>	283,014)	(	82,520)	(	1,554,580)
Net total receivables	\$	2,649,421	\$	485,937	\$	36,080	\$	143,840	\$	6,025,038	\$ 3	3,525,901	\$	4,945,511	\$	17,811,728

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	_ <u>U</u>	navailable	<u> </u>	Jnearned
Delinquent property taxes receivable (General Fund)	\$	647,812	\$	-
Activity Center (General Fund)		31,422		
Other (General Fund)		-		61,862
Delinquent property taxes receivable (Debt Service)		143,840		-
Hotel occupancy		-		32
Grant drawdowns (Nonmajor governmental)				448,127
Total Deferred/Unearned Revenue for				
Governmental Funds	\$	823,074	\$	61,894

#### **Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

	Beginning Balance			Increases		Decreases		Adjustments		Ending Balance
Government activities:										
Capital assets, not being depreciated:										
Land	\$	4,865,153	\$	-	\$	-	\$	-	\$	4,865,153
Construction in progress	_	24,588,431		17,925,619	_	11,896,752	_	850		30,618,148
Total assets not being depreciated	_	29,453,584	_	17,925,619	_	11,896,752	_	850	_	35,482,451
Capital assets, being depreciated:										
Buildings		16,373,421		-		-		-		16,373,421
Machinery and equipment		18,428,212		1,540,175		-		-		19,968,387
Improvements other than buildings		27,503,405		10,895,398		-		-		38,398,803
Infrastructure		11,648,891	_	1,190,000	_		(	316,355)		12,522,536
Total capital assets being depreciated	_	73,953,929	_	13,625,573			(	316,355)	_	87,263,147
Less accumulated depreciation:										
Buildings	(	3,390,086)	(	327,468)		-		-	(	3,717,554)
Machinery and equipment	(	13,085,249)	(	961,228)		-		-	ì	14,046,477)
Improvements other than buildings	(	8,188,099)	(	1,776,258)		-		-	į.	9,964,357)
Infrastructure	<u>(</u>	5,808,028)	(	577,872)	_	-		412,190	(	5,973,710)
Total accumulated depreciation	<u>(</u>	30,471,462)	(	3,642,826)			_	412,190	(	33,702,098)
Total capital assets being depreciated, net	_	43,482,467	_	9,982,747	_			95,835		53,561,049
Governmental activities capital assets, net	\$	72,936,051	\$	27,908,366	\$	11,896,752	\$	96,685	\$	89,044,350

#### **Capital Assets** (Continued)

	Beginning Balance		Increases		Decreases			Ending Balance
Business-type activities:								
Capital assets, not being depreciated:  Land	\$	1,295,061	\$	_	\$	_	\$	1,295,061
Construction in progress	_	52,011,327	_	17,662,456	(	8,272,425)		61,401,358
Total assets not being depreciated		53,306,388		17,662,456	(	8,272,425)		62,696,419
Capital assets, being depreciated:								
Buildings		6,369,767		-		_		6,369,767
Machinery and equipment		5,989,908		627,367	(	141,909)		6,475,366
Improvements other than buildings	_	96,788,427	_	8,150,037		-	_	104,938,464
Total capital assets being depreciated	_	109,148,102	_	8,777,404	(_	141,909)		117,783,597
Less accumulated depreciation:								
Buildings	(	2,225,075)	(	117,950)	(	472,093)	(	2,815,118)
Machinery and equipment	(	3,679,348)	(	387,898)	(	87,543)	(	4,154,789)
Improvements other than buildings	<u>(</u>	37,805,631)	(	4,811,048)		561,906	(_	42,054,773)
Total accumulated depreciation	<u>_</u>	43,710,054)	(	5,316,896)	_	2,270	(_	49,024,680)
Total capital assets being depreciated, net	_	65,438,048	_	3,460,508	_	139,639)	_	68,758,917
Business-type activities capital assets, net	\$_	118,744,436	\$_	21,122,964	\$(_	8,412,064)	\$	131,455,336

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	\$	2,539,443
Public safety		459,743
Community services	_	643,640
Total depreciation expense - governmental activities	\$_	3,642,826
Business-type activities:		
Electric	\$	648,605
Water and wastewater		3,990,601
Airport		501,298
Stormwater drainage		176,392
Total depreciation expense - business-type activities	\$_	5,316,896

#### Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2007, is as follows:

#### Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Hotel occupancy	\$ 17,328
	Capital projects	13,276
	Nonmajor governmental	1,067,796
	Water and wastewater	1,869,521
	Electric	2,725,659
	Nonmajor enterprise	94,869
Hotel occupancy	General	3,184
Capital projects	General	2,049,228
	Nonmajor governmental	2,576,172
Nonmajor governmental	General	75,119
	Nonmajor governmental	8,343
Water and wastewater	General	25,393
	Capital projects	4,320
	Nonmajor governmental	290,500
	Electric	27,991
Nonmajor enterprise	General	59,115
Electric	Water and wastewater	625,000
	Capital projects	1,123,812
	Nonmajor governmental	500
	General	281
Internal service	General	517,246

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

#### **Interfund transfers:**

				_			7	Transfers In								
		General	0	Hotel ccupancy		Capital Projects		Debt Service		Nonmajor vernmental		Water/ astewater		Nonmajor Enterprise		Total
Transfers Out: General Capital projects Nonmajor	\$	- 35,000	\$	19,104	\$	3,733,394	\$	- 1,885,845	\$	133,827	\$	25,000	\$	354,500	\$	4,265,825 1,920,845
governmental Electric	_	<u>-</u>	_	-	_	25,000	_		_	43,800	_	25,000	_	<u>-</u>	_	68,800 25,000
Total	\$_	35,000	\$_	19,104	\$_	3,758,394	\$_	1,885,845	\$_	177,627	\$_	50,000	\$_	354,500	\$_	6,280,470

#### Interfund Receivables, Payables and Transfers (Continued)

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Leases

#### **Capital Leases**

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Amount
Governmental activities:	
Fire trucks and equipment	\$ 333,823
Equipment	130,604
Total governmental capital assets	\$ <u>464,427</u>
Business-type activities:	
Backhoe loader	\$92,907
Total business-type capital assets	\$92,907

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2008	\$ 42,518	\$ 20,108
2009	28,587	
Total minimum lease payments	71,105	20,108
Less: amount representing interest	( 2,550)	(523)
Present value of minimum lease payments	\$ 68,555	\$ 19,585

#### **Long-term Debt**

#### General Obligation Bonds and Combination Tax and Revenue Bonds

The government issues general obligation bonds and combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. These debt issues have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of general obligation and combination tax and revenue bonds issued in prior years was \$125,180,000. During the year, general obligation and combination tax and revenue bonds totaling \$47,335,000 were issued to fund both general obligation and revenue projects.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. Combination Tax and Revenue bonds constitute direct obligations of the City and are payable from a combination of the levy of ad valorem taxes and a limited pledge of surplus revenues of the City's water and wastewater system. Both bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities Governmental activities - refunding Business-type activities	4.00 - 8.40% 3.50 - 5.375% 3.30 - 6.00%	\$ 9,860,000 61,550,000 104,580,000
		\$ <u>175,990,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities						
September 30,	Principal	Interest					
2008	\$ 3,935,000	\$ 3,955,250					
2009	2,650,000	3,082,305					
2010	2,765,000	2,969,548					
2011	3,465,000	2,841,239					
2012	3,610,000	2,692,456					
2013-2017	18,565,000	11,028,644					
2018-2022	17,730,000	6,709,984					
2023-2027	11,360,000	3,098,078					
2028-2032	7,330,000	935,150					
Total	\$71,410,000	\$ 37,312,654					

**Long-term Debt** (Continued)

General Obligation Bonds and Combination Tax and Revenue Bonds (Continued)

#### **Revenue Bonds**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending	Business-type Activities						
September 30,	Principal	Interest					
2008	\$ 4,760,000	\$ 4,692,160					
2009	5,275,000	4,425,523					
2010	5,470,000	4,231,789					
2011	5,705,000	4,013,480					
2012	5,930,000	3,773,679					
2013-2017	33,725,000	14,860,202					
2018-2022	27,615,000	7,471,590					
2023-2027	11,055,000	2,454,488					
2028-2032	2,520,000	1,056,815					
2033-2037	2,525,000	335,760					
Total	\$ <u>104,580,000</u>	\$ <u>47,315,486</u>					

#### **Defeasance of Bonds**

In prior years, the City defeased certain bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2007, the outstanding balance of the defeased bonds is \$24,385,000.

#### **Long-term Debt** (Continued)

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities General obligation bonds Capital leases Discount on bonds Compensated absences Governmental activity	\$ 40,415,000 140,044 - 3,385,914	\$ 34,190,000 - ( 260,898) 	\$ 3,195,000 71,489 - 1,372,489	\$ 71,410,000 68,555 ( 260,898) 3,681,898	\$ 3,935,000 42,518 42,518 1,380,712
Long-term liabilities	\$ 43,940,958	\$ <u>35,597,575</u>	\$ <u>4,638,978</u>	\$74,899,555	\$5,400,748
Business-type activities Bonds payable:	<b>A</b> 05 505 000	<b></b>	<b>A</b> 4460 000	•	
Revenue bonds Premium on bonds Deferred amount on	\$ 95,595,000 1,287,624	\$ 13,145,000 -	\$ 4,160,000 86,522	\$ 104,580,000 1,201,102	\$ 4,760,000 - -
refundings	( 1,878,922)	-	( 131,266)	( 1,747,656)	-
Discount on bonds	(56,134)	-	( 9,925)	(46,209)	-
Total bonds payable	94,947,568	13,145,000	4,105,331	103,987,237	4,760,000
Capital leases	38,490	_	18,905	19,585	-
Compensated absences Business-type activity	195,786	297,929	275,770	217,945	<del></del>
Long-term liabilities	\$95,181,844	\$ 13,442,929	\$ <u>4,400,006</u>	\$ <u>104,224,767</u>	\$_4,760,000

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

#### **Other Information**

#### **Benefits Management**

The City sponsors an employee benefit plan that provides partially self-insured medical and self-insured dental coverage to employees and voluntary coverage to their participating dependents. The plan is designed to provide a specified level of coverage, with excess insurance coverage provided in both specific and aggregate reinsurance. The City's maximum medical claim exposure for a specific covered person is limited to \$85,000 in claims after meeting an aggregate deductible of \$107,000. Each covered person is subject to a maximum lifetime benefit reimbursement of \$1,000,000 for medical and a maximum annual benefit on dental of \$1,250. Aggregate coverage for the plan based on monthly enrollment limits the total medical claims exposure.

#### **Other Information** (Continued)

#### **Benefits Management** (Continued)

The plan includes a pre-existing clause to deter adverse selection into the plan subject to the provisions of the Health Insurance Portability and Accountability Act of 1996. Features of the medical plan include a preferred provider organization and various cost containment features such as a tiered co-pay structure to encourage use of lower cost drugs and managing utilization based on therapeutic equivalencies. The medical plan continues to build wrap around networks and contracting for specialized services such as lab to manage costs. The plan is funded by contributions from the City and participating employees based on recommendations of maximum plan exposure as calculated by an employee benefits specialty firm. Projected claim costs are based on claims experience, lag studies, industry trends, consideration of claims run off, census and aggregate factors. A liability for claims is established based on estimated incurred but not recorded claims outstanding and anticipated associated insurance and administrative costs. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract.

A reconciliation of changes in the aggregate liabilities of the prior and current year is presented below:

				Current Year Claims and				
Year En	ded	Beginning	(	Changes in		Claim		Ending
Septembe	er 30,	Liability		Estimate		Payments	Liability	
2005	\$	895,426	\$	2,070,246	\$	2,185,187	\$	780,485
2006	j .	780,785		2,665,238		2,547,583		898,440
2007	7	898,440		2,472,275		2,574,795		795,920

#### Risk and Safety Management

The City of San Marcos maintains a risk management program to prevent and mitigate accidental losses. Components of the program include the identification of exposure to loss and the selection, implementation and monitoring of risk management techniques. Prevention measures include activities such as training, annual review of assets and exposures, driving and drug testing programs, safety awareness events and the "Safety Coach" Safety Leadership Development Program. Post incident activities to minimize the impact of losses include immediate incident investigation and management of claims until closed. A commitment to managing workers compensation claims including a return to work program resulted in a workers compensation modifier of .41. Collectively these programs have resulted in direct savings in excess of \$250,000 in the last two years.

#### **Other Information** (Continued)

#### Risk and Safety Management (Continued)

The City's Safety Program has been recognized by awards from the Public Risk Management Association (PRIMA) and the National Safety Council (NSC). The City's recognized Safety Coach Leadership Development program is at the core of these awards. This program develops a process which incorporates safety into work processes. Because this is done with workers and communicated to all levels of management, corrective action occurs quickly and effectively to provide a safer work environment. Risk Management works with departments to address any recommended corrective action.

The City participates annually in the National Safety Councils Awards Program which presents achievement awards by category for occupational safety and health, safe worker and safe drivers. Twenty-five departments were recognized for maintaining a perfect record or a reduction in frequency of lost time injuries from the National Safety Council. Individual employees who serve in positions that are exposed to hazardous conditions, have a long work history without an accident, and/or contribute substantially to the safety of themselves and/or coworkers are recognized at two levels: safe worker and safe driver. Two employees were recognized in each category for safe workers and safe driving.

The City held the 13th Annual Safety Expo in October, which provides training and safety awareness to all employees. The event included over 27 Health and Safety vendors in the expo with various safety demonstrations. Over 230 employees participated in the Expo.

#### **Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There are currently several claims and lawsuits pending against the City. It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City or that would exceed the contingency amounts set aside for such purpose.

#### Other Information (Continued)

#### **Commitments**

The City purchases electric power at wholesale rates from The Lower Colorado River Authority for its own use to resell to customers of its electric distribution system. The initial term of the purchased-power agreement ends in 2016, with successive renewal periods of 10 years.

Estimated costs to complete construction in progress at year-end totals approximately \$25,536,507 for governmental capital assets, \$29,525,273 for Water and Wastewater, \$4,098,783 for Electric, \$370,503 for Airport, and \$4,428,234 for Drainage.

#### Pension Plans - Primary Government

#### Defined Benefit Plan – Texas Municipal Retirement System (TMRS)

**Plan Description.** The City provides pension benefits for all employees working a thousand hours or more annually through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows

Deposit Rate: 7%

Matching Ratio (City to Employee): 2 to 1

A member is vested after 5 years

#### Pension Plans - Primary Government (Continued)

<u>Defined Benefit Plan - Texas Municipal Retirement System (TMRS)</u> (Continued)

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age

#### Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

#### **Schedule of Actuarial Liabilities and Funding Progress**

Actual Valuation Date		12/31/04		12/31/05		12/31/06
Actuarial value of assets	\$	40,716,559	\$	43,807,523	\$	47,190,722
Actuarial accrued liability		56,021,903		60,238,953		64,633,866
Percent funded		72.7%		72.7%		73.0%
Unfunded (overfunded) actuarial accrued liability (UAAL)		15,305,344		16,431,430		17,443,144
Annual covered payroll		18,062,782		18,833,204		19,397,795
UAAL as a percentage of covered payroll		84.7%		87.2%		89.9%
Net pension obligation (NPO at the beginning of period		•		-		-
Annual Pension Cost:						
Annual required contribution (ARC)		2,761,453		2,808,869		2,763,751
Contributions made		2,761,453		2,808,869		2,763,751
Increase in NPO		•	_	-	_	
NPO at the end of the period	\$_		\$_		\$	

#### **Pension Plans - Primary Government** (Continued)

**Contributions** (Continued)

#### **Actuarial Assumptions**

Actuarial Cost Method - Unit Credit

Amortization Method - Level Percent of Payroll Remaining Amortization Period - 25 Years - Open Period

Asset Valuation Method - Amortized Cost (to accurately reflect the

requirements of GASB Statement No. 25,

paragraphs 36e and 138)

Investment Rate of Return - 7%
Projected Salary Increases - None
Includes Inflation at - 3.5%
Cost-of-living Adjustments - None

The City is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006, valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

**GENERAL FUND** 

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### COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### **GENERAL FUND**

#### FOR THE YEAR ENDED SEPTEMBER 30, 2007

				Variance with Final Budget -			
<del>-</del>		1 Amounts	Actual		Positive	2006	
-	Original	Final	Amounts	. —	(Negative)		Actual
REVENUES							
Taxes							
Property taxes:							
Current ad valorem taxes	3,509,539	\$ 3,509,539	\$ 3,527,636	\$	18,097	\$	3,417,126
Delinquent ad valorem taxes	46,555	46,555	86,903		40,348		62,285
Penalty and interest on delinquent taxes	25,068	25,068	44,971		19,903		54,371
Franchise	6,242,817	6,242,817	6,927,867		685,050		6,999,442
Sales	14,350,541	15,186,882	17,405,977		2,219,095		16,232,402
Mixed drink	179,600	179,600	211,795	_	32,195		191,823
Total taxes	24,354,120	25,190,461	28,205,149	_	3,014,688		26,957,449
Licenses and permits							
Professional and occupational	60,000	60,000	50,290	(	9,710)		45,928
Building	315,000	315,000	160,701	(	154,299)		384,709
Development	66,897	66,897	86,782	`	19,885		60,372
Plumbing	26,010	26,010	28,128		2,118		30,814
Food	134,351	134,351	130,140	(	4,211)		128,141
Other	228,577	228,577	232,902	•	4,325		280,532
Total licenses and permits	830,835	830,835	688,943		141,892)		930,496
Fines and penalties							
Parking meter	103,140	103,140	89,147	(	13,993)		64,788
Traffic	438,600	438,600	391,760	(	46,840)		345,645
Complaints	486,948	486,948	381,942	ì	105,006)		351,027
Library	54,500	54,500	65,279	`	10,779		64,913
Other	194,015	194,015	468,902		274,887		524,198
Total fines and penalties	1,277,203	1,277,203	1,397,030	_	119,827	_	1,350,571
Charges for services							
Vital statistics	50,630	50,630	63,836		13,206		58,370
Pound charges	23,460	23,460	21,541	(	1,919)		19,917
Charges to other funds	3,924,071	3,924,071	3,933,059	(	8,988		3,838,095
Building rental	108,202	108,202	108,777		575		117,204
Recreation program	454,853	454,853	401,566	(	53,287)		424,669
Other services	82,310	82,310	144,851	`	62,541		81,041
Total charges for services	4,643,526	4,643,526	4,673,630	_	30,104		4,539,296

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

# GENERAL FUND (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2007

								ariance with		
		Budgete	d Amo	unte		Actual	Final Budget - Positive (Negative)			2006
		Original	- Allo	Final	· 	Amounts			2006 Actual	
REVENUES (Continued)										
Intergovernmental	\$	142,872	\$	142,872	\$_	170,114	\$	27,242	\$	154,608
Investment earnings		490,152	_	490,152	_	683,500		193,348	_	598,126
Other										
Donations		55,360		55,360		60,360		5,000		60,360
Miscellaneous		141,418		228,323		87,769	(	140,554)		143,287
Total other	-	196,778		283,683	_	148,129		135,554)	_	203,647
Total revenues		31,935,486		32,858,732	_	35,966,495		3,107,763	_	34,734,193
EXPENDITURES										
Current:										
General government Personnel services		1 400 400		1 202 206		1.056.061		0.4.00.4		
Contracted services		1,488,408 299,120		1,392,286 230,464		1,356,361 210,432		35,925		1,416,217
Materials and supplies		147,670		89,904		77,986		20,032 11,918		177,637 71,745
Other charges		215,000		194,748		157,504		37,244		162,545
Total general government	_	2,150,198	_	1,907,402		1,802,283	_	105,119	_	1,828,144
Personnel:										
Personnel services		610,016		642,480		641,483		997		599,586
Contracted services		90,032		97,632		95,722		1,910		93,422
Materials and supplies		20,700		20,700		19,011		1,689		18,420
Other charges		16,950		16,950		15,857		1,093		29,612
Total personnel		737,698		777,762	_	772,073	_	5,689	_	741,040
Finance:										
Personnel services		1,372,087		1,413,557		1,409,542		4,015		1,257,478
Contracted services		192,221		199,911		196,141		3,770		228,076
Materials and supplies		66,267		43,271		40,311		2,960		58,133
Other charges		47,299		27,505		27,357		148		29,701
Total finance	_	1,677,874		1,684,244		1,673,351		10,893		1,573,388

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

# GENERAL FUND (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2007

		Budgeted Amounts					Variance with Final Budget - Positive			2006	
		Original Original	d Amo	unts Final	·	Actual Amounts		(Negative)		Actual	
EXPENDITURES (Continued)											
Planning:											
Personnel services	\$	890,543	\$	926,630	\$	925,592	\$	1,038	\$	803,625	
Contracted services		69,298		65,752		63,333		2,419		37,235	
Materials and supplies		34,830		36,367		33,301		3,066		21,456	
Other charges		27,710		23,284	-	22,263	-	1,021	_	27,624	
Total planning		1,022,381	_	1,052,033	_	1,044,489	-	7,544	_	889,940	
Engineering:											
Personnel services		969,594		909,918		792,554		117,364		674,171	
Contracted services		54,584		85,111		80,720		4,391		87,365	
Materials and supplies		35,263		40,080		39,544		536		30,800	
Other charges		17,111		9,787	_	9,417	_	370	_	11,674	
Total engineering	_	1,076,552		1,044,896	-	922,235	_	122,661	_	804,010	
Public works:											
Personnel services		1,598,599		1,659,868		1,629,996		29,872		1,580,895	
Contracted services		95,207		79,403		69,121		10,282		62,199	
Materials and supplies		512,473		501,799		487,215		14,584		339,132	
Other charges	_	21,800		18,724	_	14,866	_	3,858	_	16,764	
Total public works	_	2,228,079		2,259,794	_	2,201,198	-	58,596	_	1,998,990	
General services:											
Personnel services		2,063,229		739,529		712,608		26,921		727,645	
Contracted services		1,596,892		1,674,607		1,555,903		118,704		1,316,392	
Materials and supplies		48,320		51,398		45,254		6,144		34,811	
Other charges	_	2,267,230		2,105,877	_	2,073,453	_	32,424	_	1,002,774	
Total general services	_	5,975,671		4,571,411	-	4,387,218	-	184,193	_	3,081,622	
Total general government		14,868,453	_	13,297,542	_	12,802,847	-	494,695	_	10,917,134	
Public safety:											
Fire:											
Personnel services		3,361,311		3,492,503		3,473,477		19,026		3,291,607	
Contracted services		57,736		53,108		51,589		1,519		32,793	
Materials and supplies		187,718		209,828		209,325		503		151,818	
Other charges	_	34,000	_	34,402	_	33,779	-	623	_	33,804	
Total fire		3,640,765	_	3,789,841	_	3,768,170	_	21,671	_	3,510,022	

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

# GENERAL FUND (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts						Variance with Final Budget - Positive		2006	
	-	Original	u Ain	Final	Actual Amounts		(Negative)			Actual
EXPENDITURES (Continued) Public safety (Continued)					_			<del>( 3 )</del>	· <del></del> -	
Police:	e	0 166 210	e e	0 505 550	ø	8,566,944	e	18,606	ø	7,829,804
Personnel services Contracted services	\$	8,166,318 302,133	\$	8,585,550 269,862	\$	264,191	\$	5,671	\$	232,639
Materials and supplies		530,490		546,983		541,515		5,468		458,767
Other charges		65,350		59,758		57,632		2,126		59,562
	_		_	9,462,153	-	9,430,282	_	31,871	_	8,580,772
Total police	-	9,064,291	-	9,402,133	-	9,430,262	_	31,671	_	6,760,772
Total public safety	_	12,705,056	_	13,251,994	_	13,198,452	_	53,542	_	12,090,794
Community service										
Personnel services		3,444,909		3,491,115		3,439,948		51,167		3,134,543
Contracted services		881,228		881,942		872,856		9,086		847,697
Materials and supplies		530,243		590,574		568,946		21,628		501,645
Other charges	_	112,819		108,074	_	89,608	_	18,466		87,220
Total community service	_	4,969,199	_	5,071,705	_	4,971,358		100,347	_	4,571,105
Debt service:										
Principal	_	78,881		79,324	_	71,487		7,837	_	93,832
Total debt service	_	78,881	_	79,324	_	71,487	_	7,837	_	93,832
Capital outlay										
Engineering		125,000		-		-		-		-
Public works		-		11,459		11,459		-		-
Community services		111,000		111,411		110,981		430		110,589
Personnel	_			-	_	-		•	_	37,202
Total capital outlay	_	236,000	_	122,870	_	122,440		430	_	147,791
Total expenditures	_	32,857,589	_	31,823,435	_	31,166,584		656,851		27,820,656
EXCESS (DEFICIENCY) OF REVENUES										
OVER (UNDER) EXPENDITURES	(	922,103)	_	1,035,297	_	4,799,911	_	3,764,614	_	6,913,537
OTHER FINANCING SOURCES (USES)										
Transfers in		-		35,000		35,000		-	_	965,600
Transfers out	(	1,923,110)	(_	4,234,772)	(	4,265,825)	(_	31,053)	(_	3,839,921)
Total other financing sources and uses	(_	1,923,110)	(_	4,199,772)	(	4,230,825)	(_	31,053)	(_	2,874,321)
NET CHANGE IN FUND BALANCE	(	2,845,213)	(	3,164,475)		569,086		3,733,561		4,039,216
FUND BALANCE, BEGINNING	_	14,165,505	_	14,165,505		14,165,505	_		_	10,126,289
FUND BALANCE, ENDING	\$_	11,320,292	\$	11,001,030	\$_	14,734,591	\$	3,733,561	\$	14,165,505

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#### **NONMAJOR SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, special assessments, or major capital projects) that are legally restricted to expenditures for specific purposes.

**Grants and Special Entitlements** 

Community Development Block Grant

Karnack

**Police Grant** 

WIC Project

Miscellaneous Grants

Municipal Court Technology

Seized Assets

Library Memorial

Cemetery

Municipal Court Security Fee

Parks and Recreation

#### **NONMAJOR PERMANENT FUNDS**

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

#### COMBINING BALANCE SHEET

#### NONMAJOR GOVERNMENTAL FUNDS

#### **SEPTEMBER 30, 2007**

	Special Revenue							
	Grant and Special Entitlements		De	ommunity velopment ock Grant	K	arnack		
ASSETS								
Cash and cash equivalents	\$	220,601	\$	68,089	\$	5,089		
Receivables (net of allowances for uncollectibles):								
Loans		162,236		-		-		
Other		-		-		2		
Due from other governments		159,414		31,445		-		
Due from other funds		2,500		717		-		
Other assets				<del>-</del>		<u>-</u>		
Total assets	\$	544,751	\$	100,251	\$	5,091		
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$	-	\$	26,009	\$	-		
Due to other funds		653		61,727		-		
Deferred revenue		422,862		12,515				
Total liabilities		423,515		100,251				
Fund balances:								
Reserved for:								
Cemetery memorial		-		-		-		
Unreserved		121,236		<u>-</u>		5,091		
Total fund balances	_	121,236				5,091		
Total liabilities and fund balances	\$	544,751	\$	100,251	\$	5,091		

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				Special Revenue				
	Police Grant	WIC Miscellaneo Project Grants					Cemetery	
\$	89,646	\$ 140	\$ -	\$ 183,658	\$ 75,471	\$ 29,603	\$ -	
	56,530 3,333 	424,886 249 15,675 \$_440,950	3,416,444 31,739 	\$ 183,738	- - - - - - \$\$	13 - - - - \$29,616	14 - 44,924 - \$ 44,938	
	31,306 1,858 33,164	\$ 39,015 401,935 - 440,950	\$ 313,875 3,007,726 6,283 3,327,884	\$ - - - - -	\$ - 1,500 - 1,500	\$ - - 2,400 2,400	\$ 2,608 40,121 2,209 44,938	
_	16,345 16,345	- 	120,299 120,299		73,971 73,971	27,216 27,216	- - -	
\$ <u>1</u>	49,509	\$ 440,950	\$ 3,448,183	\$ <u>183,738</u>	\$ 75,471	\$29,616	\$ <u>44</u>	

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#### COMBINING BALANCE SHEET

#### NONMAJOR GOVERNMENTAL FUNDS (Continued) SEPTEMBER 30, 2007

	Special Revenue				_P	ermanent		
	Municipal Court Security Fee		Parks and Recreation		Cemetery Perpetual			Totals
ASSETS								
Cash and cash equivalents	\$	21,030	\$	607	\$	931,144	\$	1,625,078
Receivables (net of allowances for uncollectibles):								
Loans		-						162,236
Other		9		-		205		323
Due from other governments		-		290,000		-		4,378,719
Due from other funds		-		-		-		83,462
Other assets			_		_	<del></del>	_	15,675
Total assets	\$	21,039	\$_	290,607	\$ <u></u>	931,349	\$	6,265,493
LIABILITIES AND FUND BALANCES Liabilities:								
Accounts payable and accrued liabilities	\$	-	\$	-	\$	_	\$	381,507
Due to other funds		-		290,000		8,343		3,943,311
Deferred revenue		<u>-</u>				_		448,127
Total liabilities			_	290,000	_	8,343		4,772,945
Fund balances: Reserved for:								
Cemetery memorial		-		-		923,006		923,006
Unreserved		21,039		607		,		569,542
Total fund balances	_	21,039	_	607	_	923,006	_	1,492,548
Total liabilities and fund balances	\$	21,039	\$_	290,607	\$_	931,349	\$	6,265,493

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue					
	Grant and Special Entitlements	Community Development Block Grant	Karnack			
REVENUES Fines and penalties Intergovernmental Interest on investments Other Total revenues	\$ - 455,885 - - 455,885	\$ - 624,042 - - 624,042	\$ - - 75 - 75			
EXPENDITURES Current: General government	<del></del>	<del></del>	-			
Public safety Community service Capital outlay	455,885	624,042	- - -			
Total expenditures  EXCESS (DEFICIENCY) OF REVENUES  OVER (UNDER) EXPENDITURES	455,885	624,042	75			
OTHER FINANCING SOURCES (USES) Transfers in Transfers out	15,000	-	-			
Total other financing sources and uses	15,000	<u>-</u>	<u> </u>			
NET CHANGE IN FUND BALANCES	15,000	-	75			
FUND BALANCES, BEGINNING	106,236	<del>-</del>	5,016			
FUND BALANCES, ENDING	\$ <u>121,236</u>	\$	\$ <u>5,091</u>			

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		,	Special Revenue	e		
Police Grant	WIC Project	Miscellaneous Grants	Municipal Court Technology	Seized Assets	Library Memorial	Cemetery
\$ - 154,511 - - 154,511	\$ - 1,320,530 - - - 1,320,530	\$ - 4,034,742 - - 4,034,742	\$ 29,694 - 2,431 - 32,125	\$ 11,996 - 656 - 12,652	\$ - 404 3,560 3,964	\$ - 208 14,020 14,228
157,534 - - 157,534	1,296,354 24,176 1,320,530	4,073,549	3,441	- - - 1,500 1,500	- - - - -	129,864 - - - 129,864
( 3,023)	<u> </u>	( 38,807)	28,684	11,152	3,964	( 115,636)
10,000 	- - - -	47,608 47,608 8,801 111,498	28,684 155,054	- - - 11,152 62,819	3,964 23,252	105,019 ( 25,000) 80,019 ( 35,617) 35,617
\$ 16,345	\$	\$ <u>120,299</u>	\$ 183,738	\$73,971	\$ 27,216	\$

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### NONMAJOR GOVERNMENTAL FUNDS

	Special	Revenue	Permanent	
	Municipal Court Security Fee	Parks and Recreation	Cemetery Perpetual	Totals
REVENUES Fines and penalties Intergovernmental Interest on investments Other Total revenues	\$ 11,838 - 285 - 12,123	\$ - 1,653,170 - 306 1,653,476	\$ - 22,960 16,678 39,638	\$ 53,528 8,242,880 27,019 34,564 8,357,991
EXPENDITURES Current:				
General government Public safety Community service Capital outlay Total expenditures	1,405 - - - - - 1,405	- - 1,653,170 1,653,170	. <del>-</del> - - - 	4,208,259 157,534 2,376,281 1,678,846 8,420,920
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,718	306	39,638	( 62,929)
OTHER FINANCING SOURCES (USES) Transfers in Transfers out Total other financing sources and uses	- - -	- 	( 43,800) ( 43,800)	177,627 ( 68,800) 108,827
NET CHANGE IN FUND BALANCES	10,718	306	( 4,162)	45,898
FUND BALANCES, BEGINNING	10,321	301	927,168	1,446,650
FUND BALANCES, ENDING	\$21,039	\$607	\$ 923,006	\$1,492,548

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### COMMUNITY DEVELOPMENT BLOCK GRANT

	Budgeted	1 Amounts	Actual	Variance with Final Budget - Positive	
	Original	Original Final		(Negative)	
REVENUES					
Intergovernmental	\$ 1,300,985	\$ <u>1,301,015</u>	\$_ 624,042	\$(676,973)	
Total revenues	1,300,985	1,301,015	624,042	( 676,973)	
EXPENDITURES Current:					
Community service	1,276,986	1,301,015	624,042	676,973	
Total expenditures	1,276,986	1,301,015	624,042	676,973	
NET CHANGE IN FUND BALANCE	23,999	-	-	-	
FUND BALANCE, BEGINNING				<del></del>	
FUND BALANCE, ENDING	\$23,999	\$	\$	\$	

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### POLICE GRANT

	Budgeted Original	l Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	
DEVENIUS					
REVENUES Intergovernmental	\$ 160,908	\$ 270,522	\$ 154,511	\$( 116,011)	
•					
Total revenues	160,908	270,522	154,511	( 116,011)	
EXPENDITURES Current:					
Public safety	161,512	181,162	157,534	23,628	
Total expenditures	161,512	181,162	157,534	23,628	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(604)	89,360	( 3,023)	( 92,383)	
OTHER FINANCING SOURCES (USES)					
Transfers in	-	10,000	10,000	•	
Total other financing sources and uses		10,000	10,000		
Total other manoring bourges and asses	<u> </u>				
NET CHANGE IN FUND BALANCE	( 604)	99,360	6,977	( 92,383)	
FUND BALANCE, BEGINNING	9,368	9,368	9,368		
FUND BALANCE, ENDING	\$ <u>8,764</u>	\$108,728	\$16,345	\$ <u>(</u> 92,383)	

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### WIC PROJECT

				Variance with Final Budget -	
	Budgeted	l Amounts	Actual	Positive (Negative)	
	Original	Final	<u>Amounts</u>		
REVENUES					
Intergovernmental	\$ <u>1,561,324</u>	\$_1,561,324	\$_1,320,530	\$( 240,794)	
Total revenues	1,561,324	1,561,324	1,320,530	( 240,794)	
EXPENDITURES					
Current:					
Highways and roads	1,561,324	1,537,148	1,296,354	240,794	
Capital outlay		24,176	24,176	<u> </u>	
Total expenditures	1,561,324	1,561,324	1,320,530	240,794	
NET CHANGE IN FUND BALANCE	-	-	-	-	
FUND BALANCE, BEGINNING	<del></del>		<u> </u>		
FUND BALANCE, ENDING	\$	\$	\$	\$	

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### MISCELLANEOUS GRANTS

				Variance with Final Budget -
	Budgeted	l Amounts	Actual	Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	\$ 10,084,896	\$ 10,147,691	\$ 4,034,742	\$( 6,112,949)
Total revenues	10,084,896	10,147,691	4,034,742	(6,112,949)
EXPENDITURES Current:				
General government	10,162,038	10,234,646	4,073,549	6,161,097
Total expenditures	10,162,038	10,234,646	4,073,549	6,161,097
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	( 77,142)	( 86,955)	(38,807)	48,148
OTHER FINANCING SOURCES (USES)				
Transfers in		47,608	47,608	
Total other financing sources and uses	<del>-</del>	47,608	47,608	<del>-</del>
NET CHANGE IN FUND BALANCE	( 77,142)	( 39,347)	8,801	48,148
FUND BALANCE, BEGINNING	111,498	111,498	111,498	
FUND BALANCE, ENDING	\$ 34,356	\$72,151	\$ 120,299	\$48,148

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### MUNICIPAL COURT TECHNOLOGY

	Budgeted Amounts				Actual		Variance with Final Budget - Positive	
	Original		Final		Amounts		(Negative)	
REVENUES								
Fees and fines	\$	34,600	\$	34,600	\$	29,694	\$(	4,906)
Investment earnings		500		500		2,431		1,931
Total revenues	_	35,100		35,100	_	32,125	(	2,975)
EXPENDITURES Current:								
General government		73,659		73,659		3,441		70,218
Total expenditures		73,659		73,659		3,441		70,218
NET CHANGE IN FUND BALANCE	(	38,559)	(	38,559)		28,684		67,243
FUND BALANCE, BEGINNING		155,054		155,054	_	155,054		-
FUND BALANCE, ENDING	\$	116,495	\$	116,495	\$	183,738	\$	67,243

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

#### **DEBT SERVICE**

	Budgeted	I Amounts	Actual	Variance with Final Budget - Positive	
	Original	Final	Amounts	(Negative)	
REVENUES					
Taxes	\$ 6,062,133	\$ 6,062,133	\$ 6,097,130	\$ 34,997	
Interest on investments	95,000	95,000	471,636	376,636	
Miscellaneous			91,378	91,378	
Total revenues	6,157,133	6,157,133	6,660,144	503,011	
EXPENDITURES Current:					
Principal	3,195,000	3,195,000	3,195,000	-	
Interest and fiscal charges	1,826,564	1,826,564	1,820,060	6,504	
Total expenditures	5,021,564	5,021,564	5,015,060	6,504	
NET CHANGE IN FUND BALANCE	1,135,569	1,135,569	1,645,084	509,515	
FUND BALANCE, BEGINNING	2,233,236	2,233,236	2,233,236		
FUND BALANCE, ENDING	\$_3,368,805	\$_3,368,805	\$ 3,878,320	\$509,515	

#### NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operations and maintenance of a City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations and maintenance. Debt service is also included.

Airport Fund – This fund was established to account for all revenue and expenses of every nature derived by the City from its ownership and operation of the airport.

**Stormwater Drainage Fund** — This fund was created to address the need for improvements in drainage channels throughout the City. The fund obtains revenue through the assessment of a monthly drainage utility fee to both residential and commercial customers.

**Collection Fund** – This fund was created to account for waste collection and disposal services provided to residents of the City.

#### COMBINING STATEMENT OF NET ASSETS

#### NONMAJOR ENTERPRISE FUNDS

#### **SEPTEMBER 30, 2007**

		Enterprise						
		Airport		Stormwater Drainage		Waste Collection		Total
ASSETS								
Current assets:	_		_		_			
Cash and cash equivalents	\$	677,576	\$	7,026,513	\$	332,078	\$	8,036,167
Investments		44.011		1,692,530		100.284		1,692,530
Accounts receivable, net  Due from other funds		44,911 59,099		160,038 16		199,284		404,233 59,115
Other assets		39,099 12		-		_		12
Total current assets	_	781,598	_	8,879,097	_	531,362		10,192,057
Non-current assets:								
Deferred charges		-		143,255		-		143,255
Capital assets:								
Land and improvements		100,337		-		-		100,337
Buildings		4,339,745		-		<del>-</del>		4,339,745
Improvements other than buildings		7,798,670		2,603,501		-		10,402,171
Furnishing and equipment		21,137		371,034		-		392,171
Construction in progress		438,837		1,373,181		-		1,812,018
Less: accumulated depreciation	(	7,066,428)	(	252,992)		-	(	7,319,420)
Total capital assets,		4 600 000						0 =0= 000
net of accumulated depreciation	_	5,632,298		4,094,724	-	<del></del>		9,727,022
Total non-current assets		5,632,298	_	4,237,979	_	-		9,870,277
Total assets		6,413,896		13,117,076		531,362		20,062,334
LIABILITIES								
Current liabilities:								0 6 4 0 4 0
Accounts payable and accrued liabilities		27,151		109,805		228,903		365,859
Accrued interest payable		- 26.312		59,411		-		59,411
Due to other funds Deferred revenue		76,217 6,089		17,966		-		94,183 6,089
Current maturities of long-term debt		-		315,000		-		315,000
Total current liabilities		109,457		502,182		228,903		840,542
Non-current liabilities:	-					<del></del>		
Long-term debt		-		7,710,000		-		7,710,000
Total non-current liabilities	_		_	7,710,000				7,710,000
Total liabilities		109,457		8,212,182	_	228,903		8,550,542
NET ASSETS								
Invested in capital assets, net of related debt		5,632,298		3,636,469		-		9,268,767
Unrestricted		672,141		1,268,425		302,459		2,243,025
Total net assets	\$	6,304,439	\$	4,904,894	\$	302,459	\$	11,511,792

### COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

### NONMAJOR ENTERPRISE FUNDS

### FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Airport	Stormwater Drainage	Waste Collection	Total
OPERATING REVENUES				
Charges for services	\$210,224	\$1,424,761	\$1,272,014	\$2,906,999
Total operating revenues	210,224	1,424,761	1,272,014	2,906,999
OPERATING EXPENSES				
Personal services	97,563	33,330	-	130,893
Contractual services	32,748	348,671	1,197,480	1,578,899
Materials and supplies	20,257	6,745	-	27,002
Indirect costs	81,806	-	-	81,806
Other charges	5,644	12,323	15,581	33,548
Depreciation	501,298	176,392	<del>-</del>	677,690
Total operating expenses	739,316	577,461	1,213,061	2,529,838
OPERATING INCOME (LOSS)	( 529,092)	847,300	58,953	377,161
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	_	402,209	-	402,209
Other	12,124	•	-	12,124
Interest and fiscal charges	- -	( 290,152)	-	( 290,152)
Total non-operating revenue (expenses)	12,124	112,057	-	124,181
INCOME (LOSS) BEFORE				
CONTRIBUTIONS AND TRANSFERS	( 516,968)	959,357	58,953	501,342
Transfers in	354,500	<del>_</del>	<del></del>	354,500
CHANGE IN NET ASSETS	( 162,468)	959,357	58,953	855,842
TOTAL NET ASSETS, BEGINNING	6,466,907	3,945,537	243,506	10,655,950
TOTAL NET ASSETS, ENDING	\$6,304,439	\$4,904,894	\$302,459	\$11,511,792

### COMBINING STATEMENT OF CASH FLOWS

### NONMAJOR ENTERPRISE FUNDS

### FOR THE YEAR ENDED SEPTEMBER 30, 2007

		Airport		Stormwater Drainage	1	Waste Collection		Totals
CASH FLOWS FROM OPERATING ACTIVITIES		rimport		Бтатаде		Conceilon	_	101113
Cash received from customers	\$	180,357	\$	1,467,853	\$	1,271,222	\$	2,919,432
Cash paid to suppliers for goods and services	(	90,580)	(	416,545)	(	15,581)	(	522,706)
Cash paid to employees for services	(	97,563)	Ò	33,330)	(	1,175,649)	Ò	1,306,542)
Net cash provided (used) by operating activities	(	7,786)		1,017,978	_	79,992		1,090,184
CASH FLOWS FROM NONCAPITAL						_		
FINANCING ACTIVITIES								
Transfers from other funds		354,500		_		_		354,500
Cash paid for miscellaneous items		12,123		-		-		12,123
Net cash provided by noncapital financing activities		366,623	_	_		-		366,623
CASH FLOWS FROM CAPITAL AND RELATED								
FINANCING ACTIVITIES								
Proceeds from capital debt		-		1,700,000				1,700,000
Principal paid on debt			(	175,000)			(	175,000)
Interest and fiscal charges paid on debt	,	-	(	304,851)		-	(	304,851)
Acquisition of capital assets	_	71,886)	(_	1,426,094)	_		(_	1,497,980)
Net cash used by capital and related								
financing activities	(_	71,886)	(_	205,945)	_	-	(_	277,831)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments		-		4,135,445		-		4,135,445
Interest received	_			402,209	_			402,209
Net cash provided by investing activities	_		_	4,537,654	_			4,537,654
NET INCREASE IN CASH								
AND CASH EQUIVALENTS		286,951		5,349,687		79,992		5,716,630
CASH AND CASH EQUIVALENTS, BEGINNING	_	390,625		1,676,826		252,086	_	2,319,537
CASH AND CASH EQUIVALENTS, ENDING	\$	677,576	\$	7,026,513	\$_	332,078	\$	8,036,167
RECONCILIATION OF OPERATING INCOME								
(LOSS) TO NET CASH PROVIDED (USED) BY								
OPERATING ACTIVITIES:	Φ.	500 000)	ው	0.47.200	ŵ	50.052	æ	200.161
Operating income (loss) Adjustments to reconcile operating loss to net cash	\$(	529,092)	\$	847,300	\$	58,953	\$	377,161
provided (used) by operating activities:								
Depreciation		501,298		176,392		_		677,690
Changes in assets and liabilities:		001,250		1.0,522				077,050
Decrease (increase) in assets:								
Accounts receivable	(	28,912)		43,092	(	792)		13,388
Due from other funds	(	37,599)		1,707		-	(	35,892)
Increase (decrease) in liabilities:								
Accounts payable		19,233	(	68,479)		21,831	(	27,415)
Due to other funds		68,241		17,966		-		86,207
Deferred revenue	(_	955)	_		_		(_	955)
Net cash provided by operating activities	\$ <u>(</u>	7,786)	\$	1,017,978	\$_	79,992	\$	1,090,184

### STATISTICAL SECTION

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### STATISTICAL SECTION (Unaudited)

This part of City of San Marcos, Texas' comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

Contents	Page
Financial Trends  These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	70
Revenue Capacity  These schedules contain trend information to help the reader assess the City's most significant local revenue resources. Although Electric charges are the City's most significant local revenue source, information about revenue payers is confidential under Texas statutes. Trend information about electric charges is provided in Table 2. Additionally, information about property tax revenue is provided.	76
Debt Capacity  These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84
Economic and Demographic Indicators  These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	90
Operating Information  These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services and activities performed by the City.	92
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

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### TABLE 1

### CITY OF SAN MARCOS, TEXAS

### **NET ASSETS BY COMPONENT**

### LAST FIVE FISCAL YEARS

						Fiscal Year				
		2003		2004		2005	_	2006		2007
Governmental activities:										
Invested in capital assets, net of related debt	\$	21,341,418	\$	39,032,075	\$	44,394,312	\$	50,982,992	\$	34,026,741
Restricted		67,878		2,607,077		3,295,738	•	4,096,953	•	7,178,953
Unrestricted	_	21,478,209	_	8,966,444	_	10,150,795	_	14,345,393	_	38,892,946
Total governmental activities net assets	\$	42,887,505	\$	50,605,596	<b>\$_</b>	57,840,845	\$_	69,425,338	\$_	80,098,640
Business-type activities:										
Invested in capital assets, net of related debt	\$	34,186,912	\$	53,318,804	\$	27,837,167	\$	31,937,728	\$	37,167,271
Restricted		-		<u>-</u>		1,776,852		-		71,918,198
Unrestricted	_	40,873,120		23,106,838	_	57,935,375	_	65,067,633	_	<del>-</del>
Total business-type activities net assets	<b>\$</b>	75,060,032	\$	76,425,642	\$	87,549,394	\$	97,005,361	\$_	109,085,469
Primary government:										
Invested in capital assets, net of related debt	\$	55,528,330	\$	92,350,879	\$	72,231,479	\$	82,920,720	\$	71,194,012
Restricted		67,878		2,607,077	•	5,072,590	•	4,096,953	4	79,097,151
Unrestricted	_	62,351,329	_	32,073,282		68,086,170	_	79,413,026	_	38,892,946
Total primary government net assets	\$	117,947,537	\$	127,031,238	\$	145,390,239	\$	166,430,699	\$	189,184,109

### Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

### CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

						Fiscal Year				
		2003		2004		2005		2006		2007
EXPENSES										
Governmental activities:										
General government	\$	8,215,084	\$	7,827,799	\$	11,113,362	\$	9,416,555	\$	13,769,853
Public safety		12,625,294		12,022,559		11,873,017		12,896,427		13,537,545
Community service		7,220,743		7,339,792		7,448,224		8,032,845		9,077,477
Interest and fiscal charges		1,925,069		1,678,563		1,816,987		1,887,770		2,769,146
Total governmental activities expenses	_	29,986,190		28,868,713	_	32,251,590	_	32,233,597		39,154,021
Business-type activities:										
Water/wastewater		16,658,251		16,185,156		17,239,651		19,702,909		21,657,804
Electric		29,859,093		32,609,906		36,201,717		44,786,544		40,539,638
Airport		699,442		687,208		689,330		689,406		739,316
Drainage		267,423		556,759		615,424		374,013		577,461
Waste collection			_	996,341		1,049,390		1,410,264		1,503,213
Total business-type activities expenses	_	47,484,209	_	51,035,370	_	55,795,512		66,963,136	_	65,017,432
Total primary government program expenses	\$_	77,470,399	\$	79,904,083	\$_	88,047,102	\$_	99,196,733	\$_	104,171,453
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$	1,949,619	\$	1,194,224	\$	1,191,152	\$	1,299,438	\$	901,028
Public safety		1,199,839		1,110,509		1,295,340		1,339,698		1,401,176
Community service		559,929		646,099		787,342		721,441		575,622
Operating grants and contributions		1,651,018		1,338,188		2,248,473		2,149,913		6,128,665
Capital grants and contributions	_	1,484,002		1,974,736	_	488,227		638,048	_	3,921,368
Total governmental activities program revenues	_	6,844,407		6,263,756	_	6,010,534	_	6,148,538	_	12,927,859
Business-type activities:										
Charges for services:										
Electric		29,358,643		32,700,974		39,412,677		45,564,818		45,038,579
Water and wastewater		17,043,907		19,112,445		21,415,438		26,318,349		24,138,588
Airport		125,956		165,010		185,508		209,512		210,224
Drainage		1,067,477		1,019,030		878,012		1,068,407		1,424,761
Waste collection		-		959,405		1,102,707		1,180,485		1,272,014
Operating grants and contributions		26,990		29,731		21,496		-		-
Capital grants and contributions	_		_	312,941	_	551,553		1,122,112	_	309,307
Total business-type activities program revenues	_	47,622,973		54,299,536	_	63,567,391	_	75,463,683	_	72,393,473
Total primary government program revenues	\$_	54,467,380	\$_	60,563,292	\$_	69,577,925	<b>s_</b>	81,612,221	<b>\$</b> _	85,321,332

(continued)

### CHANGES IN NET ASSETS (Continued) LAST FIVE FISCAL YEARS

			Fiscal Year		
	2003	2004	2005	2006	2007
NET (EXPENSE) REVENUES					
Governmental activities	\$( 23,141,783)	\$( 22,604,957)	\$( 26,241,056)	\$( 26,085,059)	\$( 26,226,162)
Business-type activities	138,764	3,264,166	7,771,879	8,500,547	7,376,041
Total primary government net expense	( 23,003,019)	(19,340,791)	( 18,469,177)	( 17,584,512)	( 18,850,121)
GENERAL REVENUES AND OTHER CHAN	GES IN NET ASSETS				
Governmental activities:					
Taxes					
Property	8,113,608	8,428,032	8,668,066	8,912,647	9,558,703
Franchise	5,955,783	5,519,858	6,242,627	6,999,442	6,927,867
Sales	12,423,296	13,491,105	14,062,454	16,377,390	16,018,106
Other	552,560	1,076,824	1,206,769	1,358,869	1,519,896
Investment earnings	-	474,313	828,558	1,603,021	2,745,676
Miscellaneous	-	81,401	1,021,738	163,646	508,716
Transfers	54,441	212,798	831,723	2,479,810	( 379,500)
Total governmental activities	27,099,688	29,284,331	32,861,935	37,894,825	36,899,464
Business-type activities:					
Investment earnings	757,878	609,697	1,856,552	3,182,034	4,063,644
Other	577,109	16,038	15,551	27,620	260,923
Transfers	( 54,441)	( 212,798)	( 831,723)	( 2,479,810)	379,500
Total business-type activities	1,280,546	412,937	1,040,380	729,844	4,704,067
Total primary government	28,380,234	29,697,268	33,902,315	38,624,669	41,603,531
CHANGE IN NET ASSETS					
Governmental activities	3,957,905	6,679,374	6,620,879	11,809,766	10,673,302
Business-type activities	1,419,310	3,677,103	8,812,259	9,230,391	12,080,108
Total primary government	\$ <u>5,377,215</u>	\$ 10,356,477	\$15,433,138	\$ <u>21,040,157</u>	\$22,753,410

### Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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### FUND BALANCES GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

	ŀ									Fisca	Fiscal Year									
	1	1998		1999		2000		2001		2002		2003		2004		2005		2006		2007
General fund	*								!		!									
Reserved	69	121,162	69	110,497	<del>6</del> 9	141,012	69	90,696	69	105,734	69	427,053	69	185,893	69	174,017	S	153,597	69	134,113
Unreserved	ı	3,808,835	1	2,772,087		4,354,044		6,354,709		6,387,766	ı	7,050,045		9,965,481		9,952,272		14,011,908	ļ	14,593,062
	•		,		4															
Total general fund	<sub>ا</sub>	\$ 3,929,997 \$ 2,882,584 \$ 4,495,056	×	2,882,584	es	4,495,056	S	6,445,405	ا <sub>م</sub>	6,493,500	ا <sub>م</sub>	\$ 7,477,098	Ş	\$ 10,151,374	<sub>∞</sub> l	\$ 10,126,289	õ	\$ 14,165,505	Š	\$ 14,727,175
All other governmental funds	_ss																			
Reserved	<b>⇔</b>	642,964	€9	692,475	S	6,321,805	S	3,076,662	69	844,999	6A	800,095	69	845,475	S	930.722	S	1.155.404	643	1.303.282
Unreserved, reported in:										,				•		•			,	
Special revenue funds		392,974		530,272		421,928		341,019		284,664		514,932		502,826		760,917		844,368		1.087.186
Capital projects funds		5,526,341		13,536,481		17,630,406		19,772,010		13,873,571		11,023,880		14,784,996		13,108,298		18,428,409		40.897.216
Debt service funds	- [	508,167	İ	874,541		1,192,880		1,372,308	ı	1,394,621		961,232		1,206,412		1,531,736		2,232,229		5,764,165
													l							
Total all other																				
governmental funds \$ 7,070,446 \$ 15,633,769 \$ 25,567,019	S	7,070,446	Š	15,633,769	S	25,567,019	δ	\$ 24,561,999	Š	\$ 16,397,855 \$ 13,300,139	S	13,300,139	S	\$ 17,339,709	69	\$ 16,331,673	69	22,660,410	S	49,051,849

### CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

	2005 2006 2007		\$ 30,109,095 \$ 33,532,369 \$ 35,610,38(	854,818 930,496 688,943	1,331,391 1,404,734 1,450,558	· •		1,989,677 2,942,569 10,050,033	1,603,021 2,745,676	2,109,693 355,039 508,716	40,808,067 45,307,524 55,727,936		12,971,819 11,095,617 17,011,106	12,057,544 12,558,996 13,355,986	6,876,302 7,410,044 8,362,80	8,588,886 7,394,546 17,832,45		1,813,982 2,061,346 3,273,903	2,954,906 3,123,832 2,749,077	
,	2004		\$ 28,380,291	716,219	1,099,498	3,922,202		2,728,440	474,353	917,512	38,238,515		10,564,127	11,224,740	6,923,328	5,293,105		1,741,277	3,061,337	
Fiscal Year	2003		\$ 26,195,549	566,245	1,043,706	4,999,001	960,750	2,774,548	28,436	511,766	37,080,001		11,565,441	11,507,242	6,712,736	5,922,994		1,720,522	3,359,634	
Fisca	2002		\$ 24,628,583	786,000	874,677	4,712,696	980,139	2,794,428	•	475,702	35,252,225		11,029,407	11,169,316	6,989,365	7,616,569		2,249,507	2,431,310	1
	2001		\$ 23,494,653	582,604	943,651	4,685,690	1,930,018	3,361,550	•	1,024,690	36,022,856		10,807,385	9,396,565	6,125,319	9,455,847		1,868,466	2,558,843	
	2000		\$ 21,241,143	838,233	937,464	4,476,476	1,603,122	2,315,514	•	1,036,186	32,448,138		9,300,546	9,106,945	6,057,390	3,600,416		1,819,709	2,346,931	100
	1999		\$ 18,504,140	345,529	628,495	4,231,980	1,017,177	2,333,394	•	358,072	27,418,787		8,851,395	8,443,199	5,508,759	3,623,355		1,025,128	2,155,168	
	1998		\$ 17,571,829	273,428	478,598	3,307,685	777,242	1,921,457		307,636	24,637,875		7,835,677	6,714,526	5,435,540	2,581,142		1,143,642	1,812,635	
•	. 1	REVENUES	Taxes	Licenses and permits	Fees and penalties	Charges for services	From use of money/property	Intergovernmental	Investment earnings	Other revenues	Total revenues	EXPENDITURES	General government	Public safety	Community service	Capital outlay	Debt service	Interest	Principal	:

(continued)

### CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS (Continued) LAST TEN FISCAL YEARS

	2007		6,857,391)		•	34 190 000	74,170,000		5.875.970	6.255.470)		33,810,500	001 230 30	401,555,103			
			<u>&amp;</u>							•			6				
	2006		1,663,143		•	6225000	200,000	•	7.021.831	4.542.021)		8,704,810	10 267 062	10,707			
			ه ا							Ų			v	,			
	2005		4,455,372)		(20102)	2.650.000			2.381.096	1.549.373)		3,421,621	1 033 751)	1,00,000,1			
			<b>%</b>		,	,				J	ļ		V				
	2004		569,399)		•	7,140,604			1,529,879	1,317,081)		7,353,402	6 784 003	2,72			
			لي ا							U	ļ	İ	6	,			
_	2003		3,708,568)		•	1.928.823			1,006,335	951,894)		1,983,264	1 725 304)	200			
Fiscal Year			<b>%</b>							$\overline{}$		ı	3				
Fisce	2002		6,233,249)		•	•			2,304,018	2,033,440)		270,578	5.962.671)				
			<b>%</b>							J		1	¥.	ı			
	2001		4,189,569)		68,504	8,025,000	•	205,000	1,702,060	1,497,412)		8,503,152	4.313.583	-4			
			-I ⊗		σ.	0		_		5	'	ı ı	69	."			
	2000		216,201		139,629	4,500,000	•	817,561	1,967,993	1,612,697		5,812,486	860,411 \$ 13,597,716 \$ 6.028,687				
	1		હ હ		8			4	0	ଳ ଜ		ر ام	رب جه				
	1999		188,21		379,588)	295,00		773,304	1,591,950	1,494,733)		15,785,933	97,71				
	15		2			15,		•	1,	1,4		15,	13,5				
			୍ଥ ଚ		$\overline{}$	_		_		ر م			89				
	1998		885,287) \$( 2,188,217)		•	989,000		748,419	1,479,088	1,470,809)		1,745,698	860,411				
			္က							J			69	1			
		EXCESS OF REVENUES OVER (UNDER)	EXPENDITURES	OTHER FINANCING SOURCES (USES)	Bond issuance costs	Bond sales	Proceeds from	capital leases	Transfers in	Transfers out	Total other financing	sources (uses)	NET CHANGE IN FUND BALANCES		DEBT SERVICE AS A PERCENTAGE	OF NONCAPITAL	

# ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

### LAST TEN FISCAL YEARS

Estimated Actual Taxable Te Value	0 \$ 985,217,701	0 1,052,373,947	0 1,143,547,096	0 1,241,257,674	0 1,642,492,799	0 2,002,253,418	0 2,053,043,231	1,806,957,939	2,380,610,029	2,430,155,634
Total Direct Tax Rate	\$ 0.4350	0.4350	0.4610	0.4710	0.4710	0.4710	0.4710	0.4702	0.4702	0.5302
Total Taxable Assessed Value	\$ 922,371,848	987,923,388	1,070,963,468	1,088,592,313	1,165,506,240	1,572,967,716	2,053,043,231	1,434,118,410	2,039,634,021	2,166,979,685
Less: Tax-exempt Property	\$ 62,845,853	64,450,559	72,583,628	152,665,361	476,986,559	429,285,702	•	372,839,529	340,976,008	263,175,949
Personal Property Estimated Actual Value	\$ 228,647,330	246,961,608	271,529,557	277,025,805	325,940,581	381,541,166	390,220,742	418,678,715	441,477,940	440,441,736
Personal Property Assessed Value	\$ 228,647,330	246,961,608	271,529,557	277,025,805	325,940,581	381,541,166	390,220,742	418,678,715	441,477,940	440,441,736
Real Property Estimated Actual Value	\$ 756,570,371	805,412,339	872,017,539	964,231,869	1,316,552,218	1,620,712,252	1,662,822,489	1,388,279,224	1,939,132,089	1,989,713,898
Real Property Assessed Value	\$ 756,570,371	805,412,339	872,017,539	964,231,869	1,316,552,218	1,620,712,252	1,662,822,489	1,388,279,224	1,939,132,089	1,989,713,898
Fiscal	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007

Source: Hays County Appraisal District

Note: Property in Hays County is reassessed once every three years on average. The County assesses property at approximately 100 percent of actual value for commercial and industrial property and 100 percent for residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

# ELECTRIC UTILITY RATE COMPARISON

### LAST TEN FISCAL YEARS

Fiscal Year	Residential		Small Gen Serv	Serv		X	Medium Gen Serv		Large G	Large Gen Serv - Secondary	ondary	Large Gen	Large Gen Serv -Primary
		28174		<b>√</b> ✓		END TOTO	\ \ *	1	Ray tott of	/ *	381,8		143
		No to HOUSING	" To the			Sel Diffied	D. Sallouro	O REPORTS	Olenad Alana	top.	D tollogs to	By Col	TO I DIRING O
2007	00000 \$ 10.0000	\ \$°	\$ 45	1, 1999	0.0093 \$	3.3000	\$ 200,0000 \$	0.0093	\$ 3.1500	700	\$ 0.0074	& S	
2006	10	10.00 0.0190	45.00	0	0.0093	3.30	200:00	0.0093	3.15	00:002	0.0074	2.39	
2005	00.000 10	10.00 0.0190	45.00	0	0,0093	3.30	200,00	0.0093	3.15	700.00	0.0074	2.39	
2004	8	8.75 0.0628	45.00	0	0.0374	8.90	200.00	0.0364	8.60	700.00	0.0358	8.50	
2003	8 255.5	8.75 0.0556	45.00	9	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50	
2002	\$ 0,569 8	8.75 0.0556	45.00	9	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50	
2001	\$(``	8.75 0.0556	45.00	0	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50	
2000	8 200 8	8.75 0.0556	45.00		0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50	
1999	E400	8.75 0.0556	45.00	0	0.0303	8.90	200:00	0.0292	8.60	700.00	0.0286	8.50	
1998	8 250	8.75 0.0556	45.00	9	0.0303	8.90	200:00	0.0292	8.60	700.00	0.0286	8.50	

### TOTAL AVERAGE kWh PER MONTH COMPARISON

<u>Year</u>	Commercial	Residential	Total Usage
2000	18,133,709	11,820,238	29,953,947
2001	19,491,868	12,941,395	32,433,263
2002	21,609,816	12,930,494	34,540,310
2003	17,929,096	14,820,678	32,749,774
2004	23,718,467	14,243,456	37,961,923
2005	24,023,825	14,849,650	38,873,475
2006	25,993,916	15,420,114	41,414,030
2007	26,358,702	15,889,148	42,247,850

### TABLE 8

### CITY OF SAN MARCOS, TEXAS

### TOTAL kWh PER YEAR COMPARISON

Year	Commercial	Residential	Total Usage	Total Purchased	Loss%
2000	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A
2005	297,082,190	178,405,368	475,487,558	N/A	N/A
2006	311,926,699	185,040,610	496,967,309	524,152,775	5.19%
2007	316,304,431	190,669,778	506,974,209	522,933,027	3.05%

### TEN LARGEST ELECTRIC CUSTOMERS

### **SEPTEMBER 30, 2007**

Customer	Consumption (kWh)	Amount Billed	% of Total <u>kWh</u>
TEXAS STATE UNIV	\$ 76,757,392	\$ 5,310,749	15.14%
H E BUTT GROCERY INC	14,614,755	1,115,278	2.9%
CITY OF SM ANIMAL SHELTER	10,617,469	858,631	2.1%
SMCISD	9,721,226	805,482	1.9%
TSU-BOBCAT B.B.FIELD	8,877,529	735,880	1.8%
CENTRAL TEXAS MEDICAL CENTER	7,402,660	556,781	1.5%
WALMART-SUPER STORE	6,782,219	524,734	1.3%
H E BUTT GROC 908-243-140	4,979,558	380,209	1.0%
HAYS COUNTY	4,555,733	373,157	0.9%
BUTLER MANUFACTURING	4,512,124	337,044	0.9%
	\$148,820,665	\$ 10,997,945	29.35%
Note: % of total consumption based on	506,976,073	kWh	

### TABLE 10

### CITY OF SAN MARCOS, TEXAS

### DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS

City Direct Rates

Fiscal Year	Basic Rate	School District	County	Other Special Road	Total Direct Rate
1998	0.4350%	1.5500%	0.3793%	0.0846%	2.4489%
1999	0.4350%	1.5500%	0.3793%	0.0846%	2.4489%
2000	0.4610%	1.4438%	0.3579%	0.0846%	2.3473%
2001	0.4610%	1.4952%	0.3579%	0.0960%	2.4101%
2002	0.4710%	1.4296%	0.3702%	0.0759%	2.3467%
2003	0.4710%	1.6000%	0.3751%	0.0710%	2.5171%
2004	0.4710%	1.6000%	0.3751%	0.0710%	2.5171%
2005	0.4710%	1.7300%	0.3920%	0.0710%	2.6640%
2006	0.4702%	1.7000%	0.3790%	0.0710%	2.6202%
2007	0.5302%	1.3700%	0.3714%	0.0860%	2.3576%

### PRINCIPAL PROPERTY TAXPAYERS

### **CURRENT YEAR AND NINE YEARS AGO**

	200	7
		Percentage
		of Total City
	Taxable	Taxable
	Assessed	Assessed
Taxpayer	Value	Value
HEB Warehouse	\$ 83,574,490	3.86%
CFAN	41,458,010	1.91%
Tanger Properties	38,377,934	1.77%
San Marcos Factory Stores	31,559,417	1.46%
Prime Outlets at San Marcos	29,154,620	1.35%
University Heights	21,206,950	0.98%
The Sanctuary Lofts LP	21,076,540	0.97%
Cabana Beach of San Marcos LP	19,892,760	0.92%
Grande Communications	19,669,240	0.91%
Morgan Stanley Mtg Capital	18,250,980	0.84%
Total	\$ <u>324,220,941</u>	14.97%
	199	7
		Percentage
		of Total City
	Taxable	Taxable
_	Assessed	Assessed
Taxpayer	Value	Value
H. E. Butt Warehouse	\$ 27,152,190	3.13%
San Marcos Factory Shops	18,710,874	2.16%
CFAN	17,241,230	1.99%
Century Telephone	14,513,730	1.68%
Butler Manufacturing	10,091,360	1.16%
ROHRHTA	9,679,170	1.12%
Trico Industries	9,414,710	1.09%
Thermon Manufacturing	8,822,450	1.02%
Tanger Properies	8,377,865	0.97%
Sophie Property Ltd	6,239,900	0.72%
Total	\$_130,243,479	15.04%

Source: City Budget Office

TABLE 12

### CITY OF SAN MARCOS, TEXAS

### PROPERTY TAX LEVIES AND COLLECTIONS

### LAST TEN FISCAL YEARS

Collected With the Taxes Levied Fiscal Year of the Levy Collections Total Collections to Date Fiscal for the Percentage in Subsequent Percentage Year Ended Fiscal Year Amount of Levy Years Amount of Levy 1998 4,247,223 \$ 4,013,733 \$ 94.50% 84,944 4,098,677 96.50% 1999 4,502,310 4,321,335 95.98% 90,046 4,411,381 97.98% 2000 5,208,616 4,985,964 95.73% 104,172 5,090,136 97.73% 2001 5,620,364 5,377,618 95.68% 112,407 5,490,025 97.68% 2002 7,457,502 7,206,875 96.64% 149,150 7,356,025 98.64% 2003 7,662,979 7,315,055 95.46% 153,260 7,468,315 97.46% 2004 8,198,030 7,904,217 96.42% 163,961 8,068,178 98.42% 2005 8,503,149 8,193,411 96.36% 170,063 8,363,474 98.36% 2006 9,590,359 9,398,552 98.00% 164,071 9,562,623 99.71% 2007 11,451,045 11,222,024 98.00% 11,222,024 98.00%

Subsequent years includes penalties

CITY OF SAN MARCOS, TEXAS

# RATIOS OF OUTSTANDING DEBT BY TYPE

### LAST TEN FISCAL YEARS

		Per	Capita		\$ 1,699	2,008	2,459	2,372	2,216	3,564	3,968	3,035	2,893	3,672
	Percentage	of Personal	Income		4.93%	3.63%	4.40%	4.25%	4.88%	6.83%	5.93%	4.53%	4.36%	5.32%
	Total	Primary	Government		\$ 6/,3/8,//5	80,073,720	85,412,541	88,703,167	89,785,441	150,290,348	177,627,529	133,542,334	136,188,534	176,459,230
		Capital	Leases	•	' *	•	•	1	54,636	•	92,907	92,907	38,490	75,804
ctivities	Drainage	Certificate of	Obligation	€	·	ı	•	r	ı	•	•	6,670,000	6,500,000	8,025,000
Business-type Activities	Electric	Revenue	Bonds	i d	/85,000	535,000	275,000	ı	6,131,283	58,570,000	71,435,000	10,500,000	10,500,000	10,430,000
	Water	Revenue	Bonds		46,530,000 \$	51,310,000	53,400,000	51,210,000	48,870,000	56,425,000	67,150,000	78,595,000	78,595,000	86,125,000
				•	^									
		Capital	Leases	000	7,008,77	1,843,720	2,162,541	1,628,167	1,014,522	2,295,348	1,569,622	464,427	140,044	393,426
ivities			 	€	^	00	00	8	00	2	0	0	0	0
Governmental Activities	Certificates	of	Obligation		•	2,500,000	5,500,000	13,400,000	13,095,00	14,250,00	20,555,000	22,385,00	28,115,000	58,485,000
Gover	General	Obligation	Bonds	000	* 18,055,000 *	23,885,000	24,075,000	22,465,000	20,620,000	18,750,000	16,825,000	14,835,000	12,300,000	12,925,000
		Fiscal	Year	900	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007

### TABLE 14

### CITY OF SAN MARCOS, TEXAS

### RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

### LAST TEN FISCAL YEARS

	 Gener	ral Bon	ded Debt Outs	tanding		Percentage of	
Fiscal Year	 Gross Bonded Debt		Debt Service Fund		Total	Actual Taxable Value of Property	 Per Capita
1998	\$ 22,995,000	\$	508,167	\$	22,486,833	2.30%	\$ 567
1999	26,920,000		874,541		26,045,459	2.49%	653
2000	29,850,000		1,192,880		28,657,120	2.54%	825
2001	35,865,000		1,372,308		34,492,692	2.83%	922
2002	33,715,000		1,167,908		32,547,092	1.98%	803
2003	33,000,000		941,463		32,058,537	1.60%	760
2004	37,380,000		1,109,256		36,270,744	1.77%	810
2005	40,030,000		1,531,736		38,498,264	2.13%	875
2006	40,415,000		1,557,638		38,857,362	2.06%	776
2007	48,930,000		5,764,165		43,165,835	2.00%	862

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### DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

### AS OF SEPTEMBER 30, 2007

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of San Marcos - City direct debt	\$ 48,930,000	100.000%	\$_48,930,000
San Marcos Independent School District	137,576,868	78.150%	107,516,322
Caldwell county	10,225,000	2.390%	244,378
Hays County	60,645,000	27.000%	16,374,150
Subtotal overlapping debt			124,134,850
Total direct and overlapping debt			\$ <u>173,064,850</u>

Sources: Information for Hays County provided by Hays County Auditor's office/393-2283
Information for Caldwell County provided by Caldwell Auditor's office/398-1801
Information for SMCISD provided by School District, Debbie White/393-6747

### LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

Fiscal Year 1998 1999 2000 2001 Debt limit 97,637,247 \$ 104,703,283 \$ 112,839,545 \$ 121,916,767 Total net debt applicable to limit 22,486,833 26,045,459 28,657,120 34,492,692 Legal debt margin 75,150,414 78,657,824 84,182,425 87,424,075 Total net debt applicable to the limit as a percentage of debt limit. 2.30% 2.31% 2.54% 2.83%

	L	egal Debt Margin Calc	ulation for Fiscal Year	2007		
Assessed value					\$	2,159,759,539
Debt limit (10% of	•					215,975,954
Debt applicable to						
General obliga						48,930,000
Less: Amount						
repayment						5 764 165
obligation o					-	5,764,165
Total	net debt applicable to	limit			_	43,165,835
Legal debt margin					\$_	172,810,119
		Fisc	cal Year			
2002	2003	2004	2005	2006		2007
\$ 164,249,280	\$ 200,225,342	\$ 205,304,323	\$ 180,695,794	\$ 203,963,402	\$	215,975,954
32,547,092	31,844,133	36,270,744	38,498,264	35,688,262	_	43,165,835
\$ 131,702,188	\$168,381,209	\$169,033,579	\$ 142,197,530	\$ 168,275,140	\$_	172,810,119
1.98%	1.60%	1.77%	2.13%	1.75%		2.00%

### PLEDGED REVENUE COVERAGE

### LAST TEN FISCAL YEARS

			Water Reven	ue Bonds		
		Less:	Net			
Fiscal	Gross	Operating	Available	Debt	Service	
Year	Revenue	Expenses	Revenue	Principal	Interest	Coverage
1998	\$ 14,218,106	\$ 6,859,565	\$ 7,358,541	\$ 2,338,571	\$ 1,657,193	\$ 1.84
1999	16,519,620	8,033,881	8,485,739	2,464,048	1,507,400	2.14
2000	17,655,064	10,406,866	7,248,198	2,528,250	1,453,685	1.82
2001	17,252,939	10,186,450	7,066,489	2,583,421	1,400,110	1.77
2002	15,983,823	10,679,779	5,304,044	2,638,056	1,344,697	1.33
2003	17,595,675	11,339,435	6,256,240	2,690,556	1,322,620	1.56
2004	19,502,026	11,076,196	8,425,830	2,808,810	1,364,756	2.02
2005	21,415,438	11,677,318	9,738,120	3,507,750	1,578,546	1.91
2006	26,318,349	12,782,882	13,535,467	3,140,000	3,045,435	2.19
2007	24,138,588	17,796,700	6,341,888	3,195,000	3,633,942	0.93
			Electr	ic		
		Less:	Net	· · · · · · · · · · · · · · · · · · ·		•
Fiscal	Gross	Operating	Available	Debt :	Service	
Year	Revenue	Expenses	Revenue	Principal	Interest	Coverage
1998	\$ 24,361,834	\$ 21,158,633	\$ 3,203,201	\$ 801,842	\$ 490,808	\$ 2.48
1999	24,007,703	21,746,467	2,261,236	819,167	473,255	1.75
2000	25,908,308	23,863,928	2,044,380	837,647	454,941	1.58
2001	32,476,702	28,660,394	3,816,308	856,875	435,833	2.95
2002	26,779,981	25,562,838	1,217,143	906,000	297,298	1.01
2003	29,551,713	28,725,521	826,192	906,000	297,298	0.69
2004	33,070,143	31,418,256	1,651,887	910,714	292,778	1.37
2005	39,412,677	35,068,455	4,344,222	924,231	279,315	3.61
2006	45,564,818	43,679,087	1,885,731	770,000	437,183	1.56
2007	45,038,579	40,134,868	4,903,711	790,000	414,457	407.00
			Draina	ge		
		Less:	Net	<u> </u>	<del></del>	<del></del>
Fiscal	Gross	Operating	Available	Debt S	Service	
Year	Revenue	Expenses	Revenue	Principal	Interest	Coverage
2005	\$ 878,012	\$ 313,785	\$ 564,227	\$ 70,000	\$ 267,658	\$ 1.67
2006	1,068,207	338,748	729,459	170,000	274,973	1.64
2007	1,424,761	577,461	847,300	175,000	266,998	1.92

### TABLE 18

### CITY OF SAN MARCOS, TEXAS

### DEMOGRAPHIC AND ECONOMIC STATISTICS

### LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	I	er Capita Personal Income	Unemployment Rate
1998	39,661	\$ 34,440	\$	20,901	4.1%
1999	39,871	55,400		22,315	4.0%
2000	34,733	55,892		23,467	3.3%
2001	37,396	55,815		24,610	3.8%
2002	40,514	45,400		23,375	5.1%
2003	42,165	52,195		23,418	5.4%
2004	44,769	66,900		24,259	4.7%
2005	43,994	67,070		32,604	4.0%
2006	47,069	66,376		42,095	4.2%
2007	50,049	65,280		41,960	3.4%

### PRINCIPAL EMPLOYERS

### **CURRENT AND NINE YEARS AGO**

	20	07
		Percentage
		of Total City
Employer	Employees	Employment
Southwest Texas State University	5,000	7.70%
Prime Outlets San Marcos	2,100	3.23%
Tanger Factory Outlet Center	1,540	2.37%
San Marcos CISD	1,114	1.72%
Grande Communications	850	1.31%
Hays County	850	1.31%
Hunter Industries	650	1.00%
Cental Texas Medical Center	650	1.00%
Gary Job Corps Center	567	0.87%
H.E.B. Distribution Center	580	0.89%
Total	13,901	21.41%
Total City Employees	64,925	
	19	98
	<del></del>	Percentage
		of Total City
Employer	Employees	Employment
Hunter Industry	500	*
Marshall Gas Controls	292	*
Thermon Manufacturing	275	*
Trico Industries	275	*
CFAN	270	*
HEB Distribution Center	250	*
Butler Manufacturing	225	*

Total

**Chatleff Controls** 

Rohr- San Marcos

Palm Harbor

Source: Chamber of Commerce website (sanmarcostexas.com/Area Demographics/Business Resources

200

200

200

<sup>\*</sup> Information not available

# FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

•				Fulltime	e Equivalent Employ	Fulltime Equivalent Employees as of September 30,	30,			
Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administration	19.00	21.00	22.00	22.00	22.00	18.00	19.00	19.00	19.00	19.00
Human resources	10.00	10.00	10.00	10.00	10.00	00.6	00.6	9.00	6.00	00'6
Finance	29.00	31.10	31.10	31.10	30.10	27.58	28.60	31.64	31.64	32.64
Planning	00.6	8.00	00.6	00.6	9.00	9.50	9.50	9.50	9.50	10.00
Building	4.00	90.9	90.9	6.00	90.9	90.9	90.9	90.9	9009	9.50
Code enforcemen t	•	•	•	ı	,	1	4.00	4.00	4.00	90.9
Police										
Administration	37.00	32.88	32.88	32.38	34.28	34.19	35.19	38.19	37.90	40.90
Operations	67.00	70.00	00.69	78.00	74.00	74.00	75.00	75.00	75.00	81.00
Fire										
Firefighters and officers	54.00	55.00	55.00	67.00	47.00	47.00	45.00	48.00	48.00	52.00
Main Street	1.00	1.50	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Public works	37.00	34.00	33.00	33.00	33.00	32.00	32.00	32.00	32.50	32.50
Engineering	10.00	12.00	12.00	13.00	13.00	12.48	12.48	12.48	11.98	12.98
Parks and recreation	54.59	52.86	62.61	52.86	53.11	46.99	46.98	45.98	46.98	48.08
Health	8.00	8.48	8.48	11.90	11.90	10.90	11.90	11.90	14.65	17.16
Library	18.62	18.36	17.86	17.98	18.41	17.19	17.19	17.93	17.93	18.77
Water/wastewater	54.75	57.80	57.00	61.00	00.09	58.50	58.50	41.50	46.00	50.50
Electric	48.00	48.00	48.00	48.00	50.00	50.00	50.00	50.00	50.00	51.00
Airport	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00
WIC	35.00	47.50	47.50	27.00	27.00	20.00	20.00	20.00	22.00	23.00
Total	496.96	515.48	523.91	522.70	501.28	475.81	482.82	474.60	485.56	517.51

Source: City Budget Office

CITY OF SAN MARCOS, TEXAS

# OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

					Fiscal Year	/ear				
Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government Building permits issued	2,027	2,200	2,699	2,800	2,348	2,100	2,100	2,220	3,426	2,326
Police										
Physical arrests	1,985	2,200	1,704	2,200	1,704	2,200	2,700	1,450	1,480	1,500
Parking violations	1,244	1,700	3,647	5,719	3,749	5,128	6,000	5,022	2,500	3,100
Traffic violations	1,391	1,450	5,449	5,544	7,287	5,000	6,000	9,587	9,500	9,950
Fire										
Emergency responses	1,589	1,355	1,427	1,166	1,176	1,193	1,596	2,158	2,468	3,700
Fires extinguished	no data	no data	211	180	169	160	158	142	175	190
Prevention/safety education	6,700	8,238	6,500	7,000	7,000	7,500	11,321	10,396	10,820	12,000
Other public works										
Street resurfacing (miles)	310	575	009	009	495	550	14	∞	∞	<b>∞</b>
Potholes repaired	375	200	510	006	826	875	475	486	530	230
Parks and recreation										
Facility Rental Bookings	1,800	1,850	1,950	1,950	580	605	1,337	2,956	2,900	1,452
Community center admissions	2,408	11,152	11,250	12,000	40,505	55,000	62,214	1,980	2,300	2,900
Library										
Volumes in collection	103,741	109,000	116,632	121,000	124,237	128,000	128,908	132,435	136,000	142,000
Total volumes borrowed	452,184	465,000	336,471	345,000	326,515	349,000	359,000	390,567	398,000	384,200
Water										
New connections	187	200	180	180	100	120	216	110	150	110
Water main breaks	318	150	550	400	260	280	208	7	10	10
Average daily consumption (thousands of gallons)	6,623	6,915	5,678	5,553	5,717	6,284	5,571	6,236	6,141	5,810
Peak daily consumption (thousands of gallons)	7,869	8,943	7,580	7,007	6,633	7,687	6,933	9,387	10,061	8,916
Wastewater										
Average daily sewage treatment (thousands of gallons)	126	126	126	220	250	250	579	4,960	5,070	5,600

Source: Various City departments

CITY OF SAN MARCOS, TEXAS

# CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

					Fisc	Fiscal Year				
Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	-	1	1	1	-		-	-	-	-
Zone offices	-	-	-				. –	• -	-	<b>-</b>
Patrol units	N/A	N/A	N/A	N/A	N/A	N/A	55	63	63	99
Fire										
Stations	3	3	3	3	4	4	4	4	4	4
Other public works										
Streets (miles)	140	140	140	224	224	250	250	263	277	282
Streetlights	1,409	1,444	1,486	1,490	1,516	1,529	1,535	1,540	1.546	3.500
Traffic signals	S	Ś	S	5	5	5	'n		, V	5
Parks and recreation										
Acreage	120	120	120	120	120	120	120	120	120	120
Playgrounds	15	15	15	15	15	15	15	30	36	36
Baseball/softball diamonds	6	6	6	6	6	6	0	6	6	3 0
Soccer/football fields	æ	æ	3	3	æ	m	3	· m	. "	· ~
Community centers	2	2	7	2	2	2	2	5 2	n 61	. 4
Water										
Fire hydrants	N/A	N/A	N/A	N/A	N/A	983	1.066	1.133	1 324	1 565
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	A/X
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treatment capacity (thousands of gallons)	N/A	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*

\*MGD - Million Gallons per day

Source: Various City departments

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